Annual Report and Financial Statements 2007

Rank Group

THE BUSINESS OF GAMING

Our aim is to create fun and enjoyment for our customers through gaming-based leisure experiences.

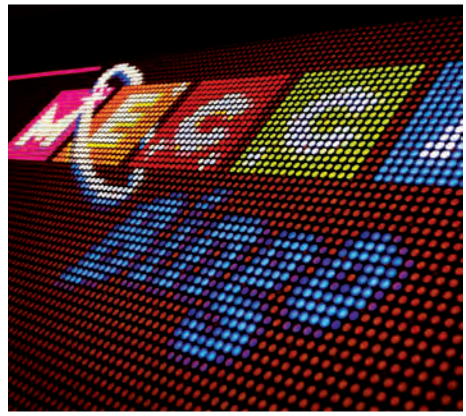
We recognise our responsibility to act at all times with consideration for our people, our customers and the communities in which we operate.

The best game in town

2.5m
Active customers

8,000+
Employees







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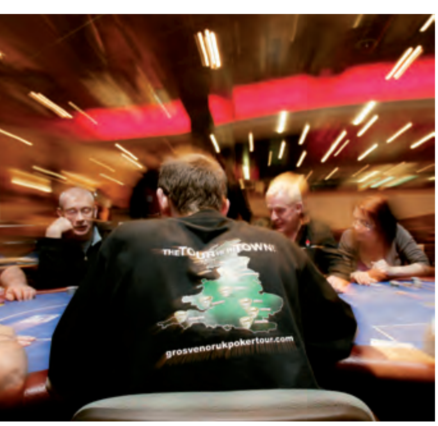
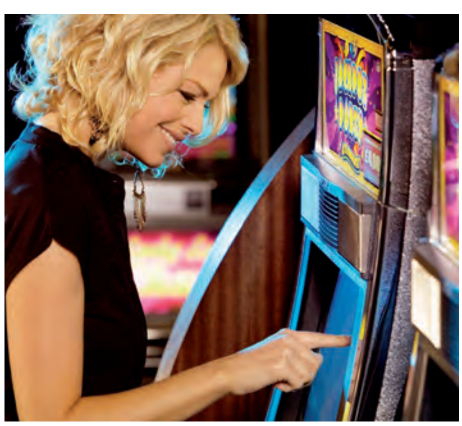
icensed gaming premises





Rank Group

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Summary of contents

Business Review
Contains details of the Group's financial performance strategy, the key performance indicators that the Board uses to measure progress against strategy, the principal risks facing the Group and our approach to operating responsibly.

Governance
Contains details on how the Group is structured and governed.

Statutory reports and financial statements
Contains reports from our auditors and financial statements detailing how the Group performed financially throughout the reported period.

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Group at a glance

Financial highlights

Revenue
£534.4m
2006 : £549.6m

Group operating profit before exceptional items
£68.3m
2006 : £73.2m**

Group operating profit after exceptional items
£23.1m
2006 : £126.9m**

Special dividend per share
65.0p

Full year dividend per share
2.0p
2006 : 6.0p

Basic earnings per share
72.4p
2006 : 19.9p

Adjusted earnings per share
7.4p
2006 : 4.6p**

Our businesses

Bingo

Mecca Bingo
Mecca Bingo is a leading British operator of bingo clubs. The business is headquartered in Maidenhead, England and operates clubs under the Mecca Bingo brand in Great Britain. Mecca Bingo is distributed on-line by Blue Square.

Revenue
£240.5m
2006 : £261.7m

Operating profit*
£43.6m
2006 : £63.6m**

Top Rank España
Top Rank España operates 11 premium bingo clubs in Spain. The business is headquartered in Barcelona, Spain and operates clubs in the provinces of Madrid, Catalonia, Andalucia and Galicia.

Revenue
£32.3m
2006 : £31.1m

Operating profit
£9.3m
2006 : £8.9m

Casinos

Grosvenor Casinos
Grosvenor Casinos is a leading British operator of casinos. The business is headquartered in Maidenhead, England and operates casinos under the Grosvenor and G Casinos brands in Great Britain, and also operates two casinos in Belgium. Grosvenor Casinos is distributed on-line by Blue Square.

Revenue
£209.5m
2006 : £217.6m

Operating profit*
£29.9m
2006 : £36.3m**

Interactive

Blue Square
Blue Square is Rank's interactive gaming business, comprising a sports betting operation (under the Blue Square brand name) and a variety of casino, poker, bingo and games products. Blue Square provides on-line distribution of Rank's retail gaming businesses through:
– meccabingo.com
– grosvenorcasinos.com
– grosvenorpoker.com

Revenue
£52.1m
2006 : £39.2m

Operating profit
£10.9m
2006 : £7.8m

* before exceptional items
** restated

Chairman's statement

Having taken action to stabilise profits, our priority is now to generate improvements in revenue, principally through increased customer visits to our retail and interactive businesses.

Following a number of years of restructuring, Rank is now a focused gaming group. The sale of Hard Rock for $965m (£502m) and the associated return to shareholders of £353m were the final stages in this process. The Group's management has concentrated on the operation of its gaming businesses at a time when they have faced a number of difficult external conditions.

Three major changes affected the performance of the Group in the year: a substantial increase in casino gaming duty, announced in the Government's Budget in March 2007; the introductions of bans on smoking in enclosed public spaces in Wales (April) and England (July); and the prohibition of Section 21 gaming terminals upon the full implementation of the Gambling Act 2005 (the 'Gambling Act') in September.

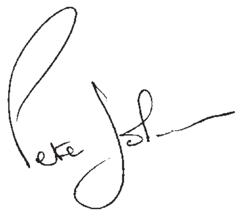
This succession of events created a difficult trading environment during the second half of 2007 for our UK retail businesses, Mecca Bingo and Grosvenor Casinos and contributed to a decline in Group profits.

The Board and senior management of Rank anticipated that the combination of these changes would have a negative effect on Group profits, but under estimated the scale of the decline. The Group is now focused on the actions necessary to stabilise performance in the short-term, whilst considering the medium-term and long-term actions necessary to regenerate growth.

In December 2007, we announced our decisions to scale back capital expenditure, to tighten further our cost control measures and to cancel payment of the final dividend for 2007. It is the Board's intention to reinstate dividend payments once we have seen a sustained improvement in trading.

Having taken action to stabilise profits, our priority is now to generate improvements in revenue, principally through increased customer visits to our retail and interactive businesses.

As we look to raise our game commercially, we recognise the need to maintain our high standards of responsible operation. The values of responsibility and fairness that underpin the Gambling Act also sit at the heart of our business. By setting an example for the rest of the industry to follow, we can help to shape a better understood and more fairly regulated environment for our businesses to operate in.



Peter Johnson
Chairman

Key events in 2007

- $965m sale of Hard Rock completed
- £353m returned to shareholders via special dividend
- Gambling Act 2005 implemented
- Smoking ban introduced in England and Wales
- Substantial increase in rate of casino gaming duty

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Chief executive's review

After making a strong start to our first year as a focused gaming business, we experienced a significant deterioration in trading conditions in the second half for our UK retail businesses, Mecca Bingo and Grosvenor Casinos.

2008 priorities

- Stabilise Group performance
- Increase customer visits
- Campaign for fair taxation

Summary of results – continuing operations

The Group delivered growth in operating profit for the first six months of the year but the second half proved more difficult as our bingo clubs and casinos absorbed the negative effects of new legislation, higher taxation and a deteriorating economic environment for consumers.

Revenue from continuing operations of £534.4m was 2.8% lower than in 2006, while Group operating profit of £68.3m was down 6.7%. Like for like clubs revenue (which excludes new openings, closures and relocations of bingo clubs and casinos) was 0.5% ahead of our performance in 2006.

The decline in operating profit was due in part to £6.9m of additional lease costs (relating to the 2006 sale and leaseback transaction) and £4.6m of incremental casino gaming duty (arising from taxation changes announced in the Budget 2007). We achieved a net cost reduction of £18.0m in Group central costs and shared services, although this related in part to £8.9m of one-off costs incurred in 2006. Excluding the effects of these one-off costs, the duty increases and higher lease costs, Group operating profit was 2.8% lower than in 2006.

Blue Square delivered the strongest performance in the Group, achieving significant growth in revenue and operating profit, while revenue and operating profit in Top Rank España recovered in part from the effects of the partial smoking ban introduced in 2006.

Our two largest businesses, Mecca Bingo and Grosvenor Casinos both generated lower revenue and operating profit than in 2006. The lower profit performance was due in part to higher lease costs and (in the case of Grosvenor Casinos) the increased rates of casino gaming duty introduced in April 2007. During the final four months of the year, revenue in both businesses fell, as the negative effects of the smoking ban and the loss of Section 21 gaming terminals (required by the Gambling Act) were compounded by a deterioration in consumer confidence.

In 2007, the Group has incurred £45.2m of exceptional losses chiefly related to the impairment of assets and creation of onerous lease provisions in Mecca Bingo and Grosvenor Casinos. Full details are provided in the finance review.

	Revenue (£m)		Operating profit (£m)*	
	2007	2006	**2007**	2006 (restated)
Mecca Bingo	**240.5**	261.7	**43.6**	63.6
Top Rank España	**32.3**	31.1	**9.3**	8.9
Grosvenor Casinos	**209.5**	217.6	**29.9**	36.3
Blue Square	**52.1**	39.2	**10.9**	7.8
Shared services			**(18.5)**	(26.0)
Central costs			**(6.9)**	(17.4)
Continuing operations	**534.4**	549.6	**68.3**	73.2

* before exceptional items

The Group has restated its financial results for 2006 to reflect changes in accounting policy relating to exceptional items and the net return on the defined benefit asset. A restatement of Group full year profits for 2006 is contained in note 39 to the financial statements.

In addition, a number of key performance indicators have been restated on a like for like rather than absolute basis. This more accurately reflects the underlying performances of the Group's businesses.

Strategic priorities

We remain committed to our vision of creating the UK's leading gaming group, with a long-term strategy to generate shareholder value through the development of gaming-based leisure businesses. We continue to develop a range of differentiated betting and gaming products, geared to different segments of the adult population and distributed through a variety of retail and interactive channels.

Our focus is on increasing the number of visits to our businesses by rewarding our most loyal customers, reaching out to engage with new customers and delivering a consistently high level of service and product to all of our customers.

Our immediate aim in 2008 is to stabilise the Group performance in what is expected to be a difficult year for the leisure sector, balancing near-term financial requirements with the long-term growth opportunities for our businesses. Consequently, we have reviewed our capital spending plans and refined a number of the expansion and portfolio enhancement targets that we set at the time of our interim results in August 2007.

Stabilise Group performance

Adapt businesses to protect revenue
During 2007 we introduced a number of innovations designed specifically to address the challenge of the smoking ban. Our principal aim was to adapt our bingo clubs and casinos to preserve enjoyment for smoking as well as non-smoking customers.

In the year we completed the first phase of this programme, erecting sheltered areas at the majority of our Mecca Bingo clubs and Grosvenor Casinos. We introduced a total of 720 interval bingo playing positions into the shelters at 30 of our Mecca Bingo clubs, having obtained the necessary local licensing and planning approvals. These shelters proved popular with customers, generating incremental revenue for the clubs and supporting club prizeboards.

The second phase of this programme to expand and improve the sheltered enclosures at selected clubs is currently underway. In Mecca Bingo we are now operating interval bingo in 39 of our outside enclosures and we have obtained gaming licensing approval to extend this to a further two clubs. We plan to have developed outside gaming at 50 of our clubs by the end of the current year.

Tighten cost controls to deliver savings
We have targeted a further £15m of cost reductions across the Group during 2008. This is based upon a series of margin protection measures identified during the final quarter of 2007, which included: reduction of marketing and promotional expenditure in Mecca Bingo and Grosvenor Casinos; a deferral of annual pay reviews; greater purchasing and operating efficiencies; and a small number of redundancies.

This package of cost savings is in addition to the significant cost savings delivered in 2007.

Selective capital investment
Given the changes affecting our businesses and the current economic volatility, we have decided to prioritise capital spending and to defer a number of major capital projects. Among these projects are plans to refurbish a number of our Grosvenor Casinos and rebrand them under the G Casino name. We will keep all expenditure under review and plan to commence development projects as the trading environment improves.

The development of the G Casinos in Aberdeen and Dundee are not affected by our revision of capital expenditure and are scheduled to open in 2008 and 2009 respectively. Our new G Casino at Thanet in Kent opened in February 2008.

Sustainable growth

Improve product offer and customer service
Our portfolio of businesses allows us to target different segments of the UK adult population with a range of gaming and non-gaming products, including bingo, casino games, gaming machines, poker, sports betting and food and drink. Our ability to innovate (subject to any regulatory restrictions) is an important part of our strategy to attract and retain customers.

Gaming products
During 2007 we extended the roll-out of electronic bingo to 99 of our Mecca Bingo clubs, principally through the use of hand-held terminals. This involved the testing and trial of five different models of hand-held units, sourced from suppliers in the UK and in North America. By the end of the year we had more than 5,000 hand-held and desktop units across these clubs. In addition, we currently have 178 electronic bingo positions across our 11 Top Rank España bingo clubs in Spain.

The most immediate benefit of electronic bingo is that it allows customers to play a higher number of bingo tickets per game. During 2008, we will continue to develop electronic bingo and are at present testing an enhanced product that allows for richer games content and greater interactivity.

In late 2006 we introduced video bingo into two of our Top Rank España clubs. Following the success of this trial we adapted the product and launched it in the UK at five of our Mecca Bingo clubs in January 2008. Video bingo terminals allow customers across our clubs portfolio to play individual automated games of bingo against each other.

During 2007 we created external bingo enclosures at 30 of our Mecca Bingo clubs. This innovation proved popular with customers and helped to protect revenues in the second half of the year.

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Chief executive's review continued

Following a review of our gaming machines estate we are making a range of improvements, both in Mecca Bingo and Grosvenor Casinos. During the second half of 2007 we initiated a trial of server-based gaming machines in three of our Mecca Bingo clubs and in 2008 we will replace a significant number of machines, to deliver a more efficient mix of products.

Under the Gambling Act 2005 it has become simpler to test new casino games and we have introduced a number of new games and side-bets into our casinos. We will continue to explore opportunities to adopt successful casino games from other gaming jurisdictions.

In Blue Square we are extending our sports betting coverage to incorporate a range of international sports, as part of the overseas development of the business.

Non-gaming products
We recognise that our food and beverage offers in Mecca Bingo and Grosvenor Casinos have not kept pace with developments in the eating-out market and that we need to improve our menus, our service skills and our systems.

In 2007 we tested a number of new catering concepts in Mecca Bingo, with a focus on quality, value and convenience and we are appointing dedicated food and beverage managers in a number of our larger casinos and bingo clubs. To support this we will complete the installation of a new electronic point of sale system in Grosvenor Casinos during the first half of 2008. A similar project for Mecca Bingo will be underway shortly.

Reward loyal customers and engage with new customers
Reward loyal customers
In 2008 we will launch a new customer rewards programme for customers of Grosvenor and G Casinos, deploying the world-leading Bally system in a number of our casinos on a trial basis. This will enable us to provide additional benefits to our most loyal customers and will help us to gain a greater understanding of customer preferences and playing patterns.

We are currently exploring loyalty programmes for Mecca Bingo and for Blue Square's interactive gaming and betting products and aim to introduce schemes for each business in the current year.

Engage with new customers
Across the Group we have stepped up our efforts to grow our customer base through a targeted approach to new member marketing.

In Mecca Bingo and Grosvenor Casinos we are using offer-based direct marketing, member referral schemes and new member sales managers to attract new and lapsed customers.

During the final quarter of 2007 Grosvenor Casinos launched its first press and radio consumer advertising campaign (as a result of the Gambling Act's relaxation of advertising restrictions for gaming companies), providing local sales and marketing support for 18 of our casinos. While we do not anticipate material expenditure on casino advertising in 2008, the potential to create greater consumer awareness and understanding of our casinos is expected to be significant in the long term.

During 2007, Blue Square stepped up its marketing programme with a series of sponsorships, designed to raise awareness of the brand in its key markets. The flagship events were:

- Horse racing – Blue Square Nassau Stakes/Stewards Cup (televised on BBC1)
- Greyhound racing – Blue Square Greyhound Derby (televised on SKY Sports)
- Non-league football – Blue Square Premier, Blue Square North and Blue Square South (televised on Setanta Sports)
- Darts – Blue Square UK Darts Open (televised on SKY Sports)
- Poker – Blue Square Grosvenor UK Poker Tour (televised on Channel 4)

These five sponsorships achieved widespread coverage for Blue Square on terrestrial and digital television in 2007 (which included only half a season of the Blue Square Premier).

Extend reach through development of retail and interactive distribution channels
Mecca Bingo
Although the sector is experiencing a period of volatility, bingo remains a highly popular leisure pursuit in the UK. In the long term we aim to grow the number of bingo players in the UK, through club and interactive development. In recent years however, we have had to shrink our clubs portfolio in the face of high taxation, changes in customer preferences, adverse changes to gaming regulations and the effects of the smoking ban.

During 2007 we closed 11 bingo clubs (ten in the first half; one in the second half), which we considered particularly vulnerable in the light of the smoking ban. Typically these clubs, of which eight were owned on a freehold basis, presented limited scope for modernisation or adaptation and a small number offered greater value under alternative use.

At 31 December 2007, we had completed the disposal of six of the freehold properties for an aggregate consideration of £23.2m (reporting a £17.2m profit on disposal net of associated closure costs). At present we have no plans for further club closures, although we will continue to keep our portfolio under review.

In February 2008 we opened a new Mecca Bingo club at Thanet in Kent, taking our total number of clubs to 103.

In January 2008 non-league Havant and Waterlooville FC, who play in the Blue Square South, reached the fourth round of the FA Cup.

Although we have identified a number of additional locations where we intend to open new clubs, we have decided to suspend further new club development until we have greater visibility over trading conditions.

In addition, we have examined opportunities to maximise the returns on our assets through the development of adult gaming centres within those properties where we have excess space. We opened our first adult gaming centre in Ashford in January 2008.

Top Rank España
We continue to monitor the development of the gambling market in Spain to assess opportunities for our Spanish bingo clubs business.

Grosvenor Casinos
Our strategy to grow our active customer base is supported by a programme of casino development. In 2007, our G Casinos concept (launched in Manchester in 2006) was extended to Luton (licence relocation), Blackpool and London's Leicester Square (re-branding the Grosvenor and Hard Rock Casinos respectively).

G Casinos are aimed at the mainstream leisure market and typically occupy large sites in high-profile and easily accessible locations. As well as featuring spacious and modern gaming areas, a significant proportion of the G Casino is set aside for soft gaming (pari-mutuel such as poker) or non-gaming activities through the provision of live entertainment, sports and media lounges, bars and restaurants.

With the opening of G Casinos in Thanet and Aberdeen during 2008, the brand will have been extended to six locations by the end of the year.

In December 2007 we closed our loss-making Grosvenor Casino in Liverpool, although in time we expect to relocate the licence to an improved site in the city.

At present we operate 32 casinos in Great Britain and we hold licences to operate casinos in a further 13 locations. This includes the two new licences that were granted under the 1968 Gaming Act (the '1968 Act') to Grosvenor Casinos in 2007, at Southend-on-Sea and at Edinburgh. Our non-operating 1968 Act casino licences present significant scope for the business to widen its distribution.

We expect to have opened five new casinos (including G Casino Aberdeen) by 2012. In addition, we will seek to relocate a number of licences and invest selectively in the modernisation and extension of existing casinos. The slightly slower pace of development than indicated previously reflects this year's revised capital spending plans and is representative of a more general slowing in new supply across the market.

Since April 2006, there has been a moratorium in effect on the submission of applications for new casino licences under the 1968 Act. Although a number of applications submitted prior to April 2006 are still to be determined, the success rate is low (nine out of 30 applications were granted in 2007, only four of which were in markets where Grosvenor operates) and we have started to see a number of casino closures. As a consequence, we anticipate that by 2012 there will be fewer than 160 casinos operating in Great Britain under the 1968 Act.

The Government has announced its intention to proceed with the development of 16 new generation casinos, provided for within the Gambling Act. We remain interested in a small number of the licences and believe that our track record of responsible and innovative operation of casinos in Britain is a strong asset. However, at present it is not clear whether the Order to approve the locations of these licences will be approved by Parliament, how the bidding process will work and precisely what operating conditions will apply to the new casinos.

Blue Square
During 2007, Blue Square continued to extend its customer reach, through agreements with Virgin Media (to offer Blue Square sports betting and bingo to Virgin's broadband internet customers) and Probability Games (to provide mobile phone versions of popular casino games).

During the first half of 2008 we will launch bingouniversal.com, an on-line bingo and gaming website for the Spanish market and we will begin offering multi-lingual, multi-currency sports betting services to customers of 888.com, under a 'white label' agreement.

Gambling taxation

During 2007 we stepped up our campaign for a level playing field across the gambling industry through the application of fair and consistent tax and regulatory policies.

The focus of our efforts was the pursuit of a change in taxation for bingo which, unlike any other form of gambling in the UK, is subject to both 17.5% value added tax (VAT) and 15% gross profits tax (GPT). It is disappointing that, in spite of repeated questions from Members of Parliament and the Bingo Association, the Government has yet to provide a satisfactory explanation for its continued discrimination against bingo.

The Government's decision to increase casino gaming duty in the Budget 2007 cost Grosvenor Casinos an additional £4.6m in gaming duty. The change, which was introduced without prior notification or consultation with the casinos industry, resulted in a 22.6% increase in casino gaming duty, although some of our smaller casinos experienced duty rises of as much as 500%.

HM Treasury has stated that it is reviewing the taxation treatment of player-to-player poker played in casinos. The effect of applying GPT to poker fees

In September 2007 we rebranded the Hard Rock Casino in London's Leicester Square, which became our fourth G Casino.

For more information please visit
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Chief executive's review continued

(in addition to VAT) would not be material in terms of Group profits but would nevertheless discourage investment in poker rooms, which represent a softer gaming aspect to casino operations. We would consider such a move to be contradictory to the stated aims of the Government's gambling policy.

Pension plan

On 28 February 2008 we announced that we had entered into a series of agreements with the Trustee of the Rank Pension Plan and Rothesay Life (a wholly owned subsidiary of Goldman Sachs), to transfer the assets and liabilities of the pension plan to Rothesay Life.

The transfer will secure the accrued benefits for the members of the pension plan and will remove the remaining financial risks and liabilities in relation to the pension plan from Rank. As a result of the transfer, Rank will no longer be required to make remaining scheduled contributions totalling £30.8m, which the Group agreed with the pension trustee at the time of the sale of Deluxe Film in 2006.

Upon completion of the transfer Rank expects to receive a cash payment of at least £20m, representing the Group's allocation of the expected surplus within the pension plan after an appropriate sharing with the plan's members and any anticipated costs, including tax, associated with the transfer.

The transfer is subject to clearance from HM Revenue and Customs regarding the tax treatment of the transfer. Rank expects this clearance to be obtained by May 2008, with completion of the transfer expected in June 2008.

Hard Rock

Payment of special dividend
On 5 March 2007, we completed the $965m (£502m) disposal of Hard Rock to Seminole Hard Rock Entertainment Inc., a wholly-owned subsidiary of the Seminole Tribe of Florida. As a consequence we were able to return £353m to shareholders via a 65.0p per share special dividend, which was paid on 9 April 2007. The special dividend payment was accompanied by an 18 for 25 share consolidation.

Dividend

On 12 October 2007, the Group paid an interim dividend of 2.0p per share. However, as a result of the difficult and uncertain trading environment, the Board announced on 12 December 2007 that it had decided not to pay a final dividend for the year. The Board intends to resume dividend payments once trading conditions and the market outlook have improved.

Outlook

We announced at the time of our last market update in December 2007 that trading had stabilised in Mecca Bingo and Grosvenor Casinos in the nine-week period since 7 October. During the first eight weeks of 2008 this position has been broadly maintained in Grosvenor Casinos, with a modest improvement in Mecca Bingo.

Year-on-year revenue growth for the eight weeks to 24 February 2008

	Like for like revenue* %	Total revenue %
Mecca Bingo	(13.5)	(16.8)
Top Rank España	(2.7)	(2.7)
Grosvenor Casinos	(13.4)	(12.2)
Blue Square	14.9	14.9
Group	(10.3)	(11.0)

* excludes new club openings, closures and relocations

During the period, Group revenue declined by 10.3% on a like for like basis against the first eight weeks in 2007.

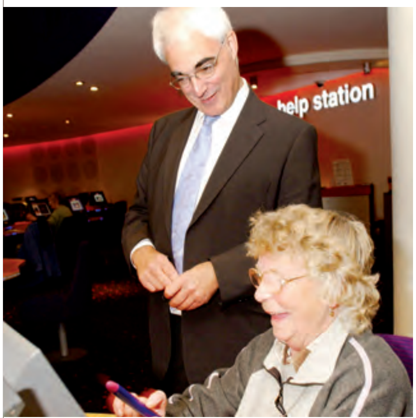
In Mecca Bingo, like for like revenue was 13.5% lower than in the first eight weeks in 2007, with admissions down by 13.6% and spend per head up 0.1%. This compares with the 17.3% fall in revenue experienced during the 17 weeks from the start of September 2007 (when the Gambling Act was implemented) to the end of the year.

In Grosvenor Casinos like for like revenue was 13.4% lower than in the first eight weeks in 2007, with admissions down 13.4% and spend per head level. This performance reflects a good comparative trading period in 2007, the effects of competitor openings on a small number of our casinos and a reduction in promotional expenditure at the start of 2008. In absolute revenue terms we have continued to trade in line with the final 17 weeks in 2007.

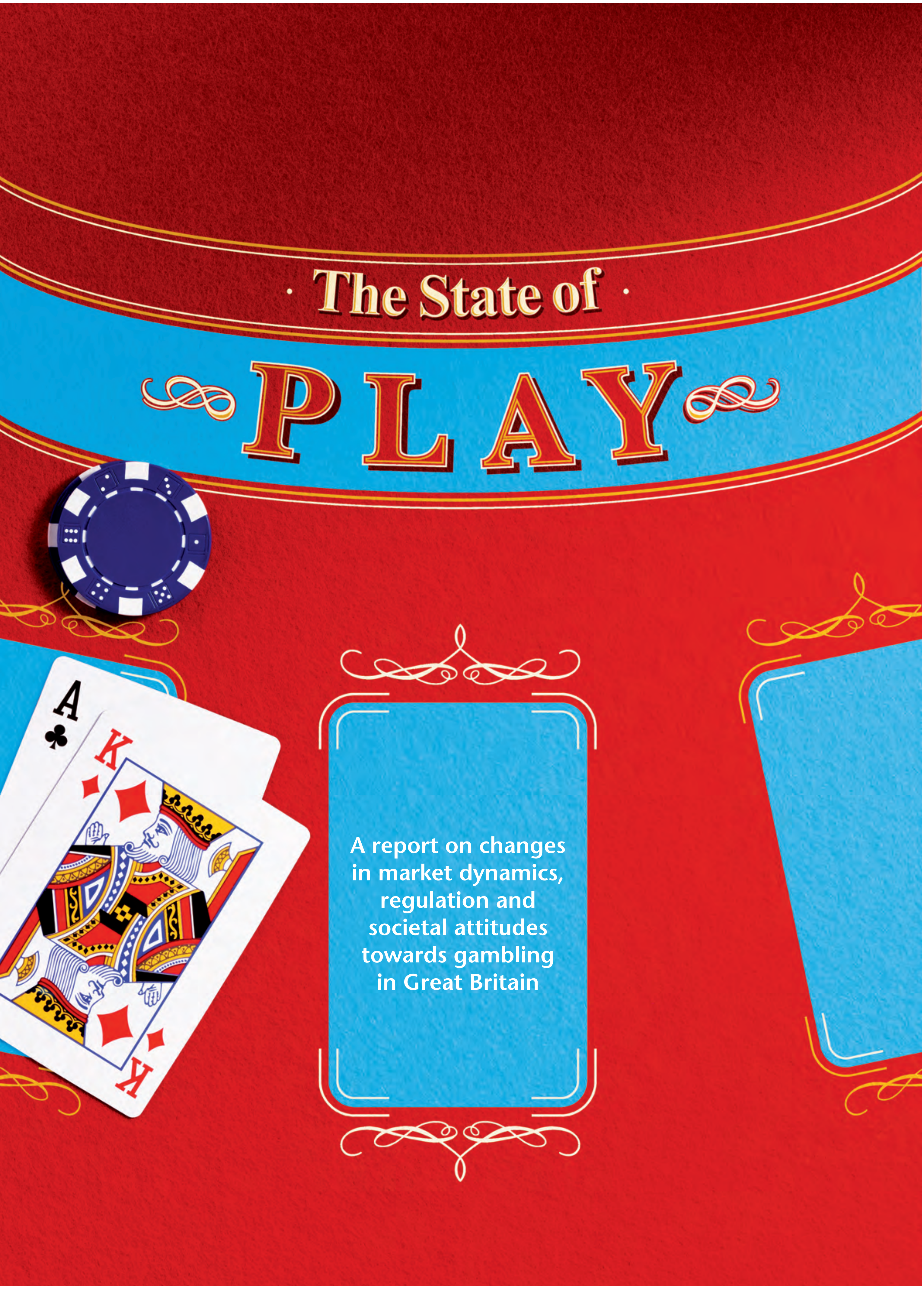
In Blue Square revenue grew by 14.9%, with a strong improvement in gaming but continued weakness from our sportsbook.

The Board believes that 2008 will be a challenging year for Rank's businesses as they continue to respond to changes in the legislative and economic environment. The priority for the Group is to stabilise performance while retaining a focus on the longer-term opportunities for growth in the gaming sector.

Ian Burke
Chief Executive



In October 2007, Chancellor of the Exchequer Alistair Darling MP visited his local Mecca Bingo club at Fountain Park in Edinburgh to listen to customer and employee calls for an end to 'double taxation'.


The State of
PLAY
A report on changes in market dynamics, regulation and societal attitudes towards gambling in Great Britain

The state of play: market overview

A report on changes to market dynamics, regulations and societal attitudes towards gambling in Great Britain

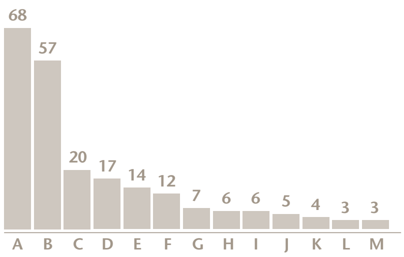
Betting and gambling remain highly popular, culturally ingrained and economically important leisure activities in Great Britain.

For more than 40 years, the nation has benefited from the existence of a commercial, well-regulated and highly taxed mainstream gambling industry. Over that period, the regulations that define the legal parameters of gambling have changed, largely for the benefit of the industry and society at large. Despite this gradual regulatory progression, the implementation of the Gambling Act 2005 in September 2007 represented a shift in the landscape of gambling in Great Britain.

Although controversy has surrounded the Gambling Act, it is difficult to contend that its aims – to keep crime out, to ensure fairness and to protect children and other vulnerable people – are not desirable. A major overhaul of Britain's gambling laws was necessary to accommodate changes in technology and shifting societal views.

Media opposition to the Gambling Act and in particular the creation of a new breed of 'super casinos' has resulted in a period of volatility for the gambling industry. It remains to be seen whether this will prove to be another of the short periods of regression that have punctuated the general progress of gambling in Great Britain in modern times.

Gambling activities in Great Britain (% of adult population)



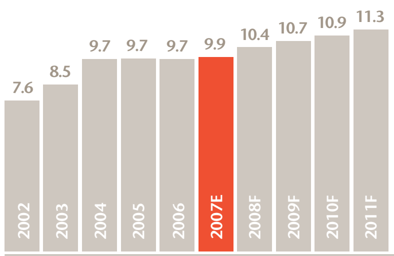
A Total
B National Lottery
C Scratchcards
D Horse races
E Slot machines
F Private lotteries
G Bingo
H Sports betting*
I On-line gambling
J Dog races
K Casino
L FOBTs
M Football pools

* excludes betting on horse racing and dog racing

The British Gambling Prevalence Survey, published in September 2007, revealed that 68% of British adults gamble.

Source: British Gambling Prevalence Survey 2007

UK gambling revenues (£bn)



Source: Keynote Research, October 2007
E - Estimates F - Forecasts

Top ten gambling companies by UK revenue

	Revenue £m	Year ending
Gala Coral	1,268	Sept 2007
Ladbrokes	1,125	Dec 2007
William Hill	940	Dec 2007
Camelot	583	Mar 2007
Rank Group	489	Dec 2007
Tote	218	Mar 2007
Genting Stanley	193	Apr 2006
Betfred	133	Apr 2007
PartyGaming	118	Dec 2006
Betfair	113	Apr 2007

Not all the companies provide geographical breakdowns of revenue. Figures quoted above may include a small amount of non-UK revenues.
Source: Company research

In 2007, more than two-thirds of adults in Britain participated in at least one form of gambling. While on the face of it this statistic represents a slight decline compared with the previous survey in 1999, it masks a change in the pattern of gambling expenditure and the resultant growth in the economic significance of the market.

Overall participation remains steady

The British Gambling Prevalence Survey, published in September 2007, reported that 32 million adults in Britain (68% of the adult population) gamble. Although this represents a modest decline against the 72% recorded in 1999, the drop was due to a reduction in players of the National Lottery, lottery scratchcards and football pools.

The major areas of growth between 1999 and 2007 were two new products – betting and gaming websites (played by 6% of the adult population) and Fixed Odds Betting Terminals (FOBTs) in licensed betting offices (4%), neither of which featured in the 1999 survey. There was an increase in participation in casino gaming (up from 3% to 4%) while the usage of bingo clubs remained steady at 7% of the adult population.

In December 2007, the Gambling Commission published a separate report on the prevalence of remote gambling (the use of the internet, mobile phone or interactive television to gamble). The report revealed that the National Lottery is the most popular form of on-line gambling, followed by sports betting, poker, casino and bingo. Interestingly, while the penetration of on-line poker in Great Britain declined and casino games remained static, sports betting and bingo both achieved strong growth compared with 2006.

Men between the ages of 18 and 34 remain the most likely to participate in remote gambling and while the personal computer remains the most common means of gambling remotely, the use of mobile phone technology for gambling has grown strongly.

The popularity of remote gambling would appear to be set for further growth as technological developments expand the range of gaming and betting opportunities and as broadband penetration increases.

Sustained growth in value of market

In terms of revenue, the gambling sector of the leisure market has enjoyed sustained growth over recent years. Keynote Research estimated that in 2007, the British gambling market was worth £9.85bn (calculated as amounts staked less winnings), having achieved compound annual growth of 5.2% since 2002. Gambling now constitutes 16.4% of British expenditure on leisure activities outside the home, compared with 13.7% in 2002.

Keynote Research forecasts that the annual rate of growth will slow to 3.5% over the next four years, with the value of the gambling market reaching £11.26bn in 2011.

Britain is not simply a significant consumer market for gambling, it is also a major investment market for gambling companies. At the end of 2007 there were 27 different betting and gaming companies listed in London with a combined market capitalisation of £7.7bn.

A difficult year ahead for gambling?

While a number of legislative uncertainties were removed with the implementation of the Gambling Act in September 2007, the economic outlook suggests that 2008 will be a difficult year. The Ernst & Young ITEM Club has predicted that growth in the UK gross domestic product will slow from 3.1% in 2007 to 1.8% in 2008. With rising cost pressures facing consumers, market commentators believe that conditions will become progressively tougher for many companies in the Travel and Leisure sector in 2008.

On the other hand, Britain's gambling companies will be hoping that a more settled and certain regulatory environment (after the upheaval of the Gambling Act) will allow them to focus more attention on their operations in 2008.

Despite the breadth of the gambling market, it remains dominated by a small number of companies, operating mainly in the bookmaking, bingo, gaming machine and casino sectors (and their on-line equivalents).

In 2007, the shift in the constitution of the gambling sector in Britain continued with growth in the supply of licensed betting offices and decline for bingo clubs and adult gaming centres. The number of casinos operating increased only slightly, although there was substantial investment in enhancing the quality and scale of individual casinos.

Bingo clubs

The number of licensed bingo clubs operating in Great Britain dropped by 4.3% between February 2007 and February 2008, due largely to the effects of the smoking ban, adverse changes relating to the Gambling Act and the ongoing burden of double taxation.

In February 2008, Gala Bingo and Mecca Bingo remained Britain's largest bingo club operators, with 164 clubs and 103 clubs respectively. Over the previous 12 months, Mecca Bingo closed 11 clubs and opened one while Gala Bingo closed eight and opened two. In addition, there was a large number of closures of independently owned clubs. The Bingo Association has warned that unless bingo taxation is harmonised with general betting duty, bingo club closures will accelerate in the year ahead.

Casino

In February 2008 the number of casinos operating in Great Britain stood at 144, a modest increase over the previous year. There were eight new openings and three closures. The new openings included two of the largest and most modern casinos ever seen in the UK, each developed by a US gaming group. In May, Harrah's opened the Casino at the Empire in London's Leicester Square, while in July, Isle of Capri opened a major new casino in Coventry. In addition, Aspers, the Australian-backed company, opened the largest casino in Wales, at Swansea in September 2007.

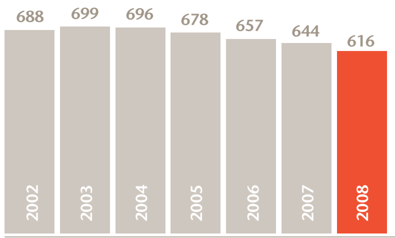
In 2007, local licensing authorities dealt with a large number of new licence applications for casinos (under the 1968 Gaming Act). Of the 30 licence applications determined in 2007, nine were granted (including two for Grosvenor Casinos) and 21 were refused or withdrawn. In February 2008 there were 38 non-operating licences in Great Britain and although a number of appeals are due to be heard in 2008, it seems unlikely that this number will rise significantly in the medium term.

Genting Stanley remains the largest casino company in Britain with 46 operating casinos and an additional seven licences which are not currently operating. Rank's Grosvenor Casinos is the second largest company, with 32 operating casinos and 13 non-operating licences.

With 26 casinos, London remains the city with the highest number of casinos operating (more than any other capital city in Europe), followed by Birmingham and Manchester.

During 2008 it is expected that at least five new casinos will be developed, including new openings in Aberdeen (Rank), Leeds (London Clubs) and Glasgow (London Clubs).

Number of bingo clubs operating in Great Britain (to February 2008)



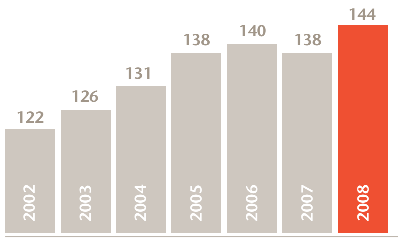
Source: Gambling Commission/company research

Bingo club operators in Great Britain

Operator	February 2008	February 2007
Gala Bingo	164	170
Mecca Bingo	103	113
Top Ten Bingo	38	43
Carlton Clubs	16	17
Riva Bingo	13	8
Buckingham Bingo	12	11
Others	270	282
Total	616	644

Source: Gambling Commission/company research

Number of casinos operating in Great Britain (to February 2008)



Source: Gambling Commission/company research

Top ten casino markets in Great Britain by number of casinos

	February 2008	February 2007
London	26 (0)	25 (1)
Birmingham	7 (1)	7 (1)
Manchester	6 (2)	6 (1)
Glasgow	5 (4)	5 (4)
Bristol	5 (0)	5 (0)
Edinburgh	4 (1)	4 (0)
Leeds	4 (1)	4 (1)
Nottingham	4 (2)	2 (3)
Liverpool	3 (2)	4 (1)
Sheffield	3 (2)	3 (1)

(Non-operating licences shown in brackets)
Source: Gambling Commission/company research

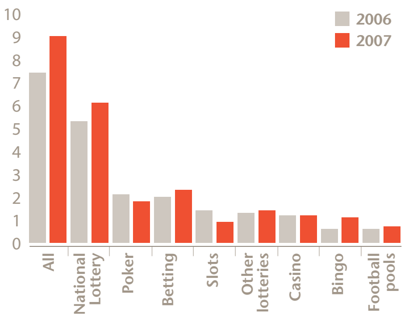
The state of play: market overview continued

Casino operators in Great Britain

Operator	February 2008	February 2007
Genting Stanley	46 (7)	46 (5)
Grosvenor Casinos	32 (13)	33 (10)
Gala Casinos	30 (1)	30 (1)
Harrah's (LCI)	10 (2)	7 (5)
A&S Leisure	6 (0)	6 (0)
Isle of Capri	3 (1)	2 (2)
Aspers/Aspinall's	3 (1)	2 (2)
Clockfair Ltd	2 (0)	2 (0)
Guoco	1 (4)	1 (2)
Others	11 (9)	9 (8)
Total	144 (38)	138 (35)

(Non-operating licenses shown in brackets)
Source: Gambling Commission/company research

Participation in remote gambling in Great Britain (% of adult population)



Source: Gambling Commission

However, a number of smaller clubs (which were affected most dramatically by the 2007 rise in casino gaming duty) are expected to close. In January 2008, Gala Casinos was reported in the press to be considering the closure of three of its provincial casinos.

Remote gambling

Remote gambling continues to be a highly competitive marketplace. The prohibition of on-line gaming and betting in the USA (via the Unlawful Internet Gambling Enforcement Act) late in 2006, has prompted operators to focus more heavily on European and Asian countries. Unlike many other parts of Europe, remote gambling is legal in the UK.

The National Lottery operator, Camelot, remains the most popular on-line gambling company in the UK, measured in terms of numbers of customers. The leading operators in the interactive betting and gaming sector are a mix of traditional bookmakers, including Ladbrokes, William Hill and Gala Coral and specialist on-line operators, such as PartyGaming, Betfair, 888 Holdings and Rank's Blue Square.

The broader market – other betting and gaming

Licensed betting offices

In 2007 there were an estimated 8,700 licensed betting offices operating in Britain. Approximately two-thirds of the outlets were operated by the 'big three' of Ladbrokes (2,141), William Hill (2,208) and Coral (1,566). The removal of the 'demand test' (whereby a licence applicant needed to prove unsatisfied local demand) and the growing profitability of B2 gaming machines (formerly classified as FOBTs) has led to the entrance of a number of new operators to this market.

Adult gaming centres

In 2007 there were an estimated 950 adult gaming centres operating in Great Britain. The abolition of the Section 16 gaming terminal and the smoking ban are believed to have damaged the sector, which is expected to experience a decline in 2008.

The full implementation of the Gambling Act on 1 September 2007 was intended as the culmination of the modernisation of Britain's gambling laws. The Act replaced the 1968 Gaming Act and the Betting, Gaming and Lotteries Act 1963, bringing almost all forms of gambling under a single piece of legislation and subject to one regulator in the Gambling Commission (only spread betting and the National Lottery remain outside the Commission's scope). Yet what started out as a necessary and modernising piece of legislation has become mired in controversy and even now, almost three years after its enactment and six months after its full implementation, the exact nature of some of the changes brought about by the Gambling Act remain unclear.

The Gambling Act and a new breed of casinos

On 20 January 2007 the Casino Advisory Panel (CAP) announced the prospective locations of 17 'new generation' casinos provided for within the Gambling Act. Under the terms of the Act these casinos (categorised as eight 'Small', eight 'Large' and one 'Regional' or 'Super Casino') were to be permitted a broader range of gambling products (including sports betting) and a significantly greater allocation of gaming machines than in existing British casinos. The CAP's announcement was expected to spark a phase of investment in large modern British casinos. Instead, the progress of this facet of the Gambling Act has been characterised by controversy and political indecision.

Two events in the space of eight days in March 2007 destabilised Government policy on the new casinos. On 21 March, Gordon Brown in his final Budget as Chancellor of the Exchequer, announced a sudden and substantial rise in casino gaming duty, prompting speculation that investment in some of the new casinos would no longer be viable.

One week later, on 28 March, the House of Lords defeated the Government's statutory instrument to confirm the CAP's choice of locations.

Meanwhile, the British Casino Association added its voice to the growing disquiet, claiming that the establishment of the new casinos would place existing casinos (which are not permitted to offer sports betting and are restricted to just 20 gaming machines, regardless of scale or demand) at a disadvantage. The decision to locate 11 of the 17

licences in existing 'permitted areas' (the 53 local authorities permitted to host casinos under the 1968 Act) has been particularly contentious.

On 26 February 2008, the Secretary of State for Culture Media and Sport, Andy Burnham MP, announced that the Government intended to press ahead with the eight Large and eight Small casinos, but that the Regional casino licence, which had been awarded to Manchester, would not proceed. The Order for the 16 locations requires the approval of both the House of Commons and the House of Lords (which had not been secured at time of publication). In addition, the Department of Culture, Media and Sport has yet to issue guidelines for the licence bidding process and a number of critical regulatory questions (including the precise basis for the allocation of gaming machines) remain unanswered.

Advertising

The Gambling Act relaxed a number of restrictions on the ability of gambling companies to advertise their services.

Gambling companies may now advertise on television after the nine o'clock 'watershed', although the National Lottery and bingo clubs may advertise at any time and sports betting advertising is permitted prior to the watershed if it accompanies sports programming.

In addition, casinos are now allowed to advertise in newspapers and on radio, which hitherto had been prohibited.

Clear advertising guidelines have been established to encourage responsible attitudes towards gambling (although these guidelines do not apply to the National Lottery). It is hoped that in time, the ability to advertise in a responsible fashion will help the industry to become more transparent and better understood.

Electronic gaming – steps forward, steps backward

The reclassification of gaming machines and electronic gaming terminals under the Gambling Act has created both winners and losers across the gambling industry.

The clearest beneficiary of the Gambling Act is the bookmaking sector, which gained legitimacy for its FOBTs (now reclassified as B2 gaming machines). The Gambling Act has allowed bookmakers to install up to four machines per outlet (creating provision for as many as 35,000 B2 machines nationwide) and to expand its range of games to incorporate virtual roulette, poker, blackjack and bingo. During the final quarter of 2007, the major high street bookmakers reported significant growth in machines revenue related to these changes.

Adult gaming centres and bingo clubs are the two sectors that appear to have lost most from the Gambling Act's revisions to electronic gaming. The declassification of the £500 jackpot Section 16 and Section 21 gaming terminals forced the removal of the two most popular electronic gaming products in adult gaming centres and bingo clubs respectively.

Across the bingo industry around 2,700 Section 21 terminals were declassified. Both bingo operators and adult gaming centre operators alike reported significant declines in revenue during the final quarter of 2007. Although casinos also lost the ability to offer Section 21 terminals, the effect on revenues of this prohibition has not been as great as in bingo clubs.

In March 2007, the Gambling Commission recorded that the highest concentrations of gaming machines were to be found in arcades (adult gaming centres and family entertainment centres) and pubs, while casinos and bingo clubs accounted for relatively small numbers of machines.

It is anticipated that the next report from the Gambling Commission will show machines growth in licensed betting offices and regression in bingo clubs, adult gaming centres and casinos.

The attitude of society towards gambling has long been ambiguous. Despite the fact that the overwhelming majority of adults in Great Britain gamble, society as a whole appears to view the concept of 'gambling' with something approaching disapproval.

For the gambling industry in the 21st century, this is a significant paradox. If laws exist to define the parameters of what society believes is acceptable and permissible, ambiguity between popular opinion and popular demand can have a distortive effect on the regulation of commerce.

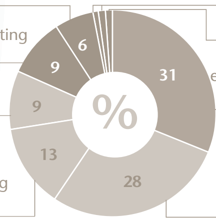
Whether the media shapes or reflects public opinion, its influence on public policy is unquestionable. The outpouring of moral indignation from certain quarters of the national press over the enactment and subsequent implementation of the Gambling Act has arguably coloured political views on gambling reform and affected the manner in which gambling regulations have been revised.

The apparent willingness of the Government to bend to media pressure in 'watering down' legislative reform (at least one national newspaper has claimed openly to have influenced gambling policy in Britain) is a worrying development for all companies involved in the industry.

Gambling Act 2005

The Gambling Act 2005 is an important piece of modernising legislation. However, its introduction has resulted in a number of negative changes for operators of bingo clubs and casinos.

Locations of gaming machines

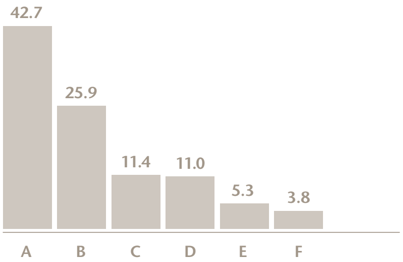


Bingo clubs and casinos account for a relatively small proportion of gaming machines in Great Britain. As a consequence of the Gambling Act, the number of gaming machines in bingo clubs and casinos is believed to have fallen, while the number in licensed betting offices is believed to have grown.

Source: Gambling Commission

The state of play: market overview continued

Problem gambling (% of GamCare clients)



A Betting
B FOBTs
C Fruit machines
D Remote gambling
E Casinos
F Other*

* includes scratch cards, poker and bingo
Source: GamCare Care Services Report 2006

Chart shows the prime mode of gambling cited by GamCare's clients. Contrary to popular belief, casinos account for a disproportionately low level of problem gambling in Great Britain.

The attitudes of the British public, the popular press and Government are marked by ambiguity towards gambling. Yet beneath the surface of newspaper headlines and political soundbites lies a far more complex picture of double standards and vested interests. This suggests that the industry may be passing through one of the periods of volatility that characteristically have punctuated the progress of gambling in Great Britain.

Public opinion – The Gambling Prevalence Study

The British Gambling Prevalence Study 2007 highlights the long-running contradiction in society's attitude towards betting and games of chance: that while 68% of British adults gamble, 75% hold negative views on gambling.

Differences of opinion about what constitutes gambling may lie at the heart of this apparent contradiction. A number of forms of gambling, such as buying a National Lottery ticket or placing a bet on the Grand National, have become ingrained in British culture and are actively promoted by the nation's media.

By contrast, those forms of gambling that have lower participation rates and which are less visible in terms of advertising typically suffer from more negative public perceptions. At present, just 4% of adults in Great Britain visit casinos. The corollary of this is that 96% of people acquire their views of casinos by indirect means, often through the media.

Yet if the public opinion towards gambling is mixed, the views and interests of the media are more complex still.

The media – moral opposition or vested interest?

The hostile reception from many quarters of the national press to the Gambling Act sits uneasily with the fact that in 2007 nearly all of Britain's major news and media groups benefited financially from the gambling activities of their readers and viewers.

For years, most national newspapers have generated substantial advertising revenues from bookmaking firms, something which the growth of on-line newspapers and on-line betting has helped to increase. However, in recent years the media's involvement in gambling has become more participative and in 2007 almost all of Britain's national newspaper groups operated or licensed gambling websites (generally domiciled outside the UK).

In spite of clear vested interests, the national press has, on balance, taken a dim editorial view of gambling and of casino gambling in particular. It is possible that the prohibition of casino advertising to consumers (only recently lifted) has made the sector a soft target for the media. It is certainly difficult to reconcile the negative image of casinos portrayed in the popular press with the reports from GamCare, the problem gambling charity, that just 5.3% of its clients cite casinos as a primary mode of gambling.

In the long term, it is questionable whether the paradox that exists between the media's antipathy towards gambling and its own deep-rooted financial interest is sustainable. It is likely that any softening in the views of the popular press towards gambling businesses – and casinos in particular – would have a positive effect on the framing of gambling regulations.

Government – switching horses?

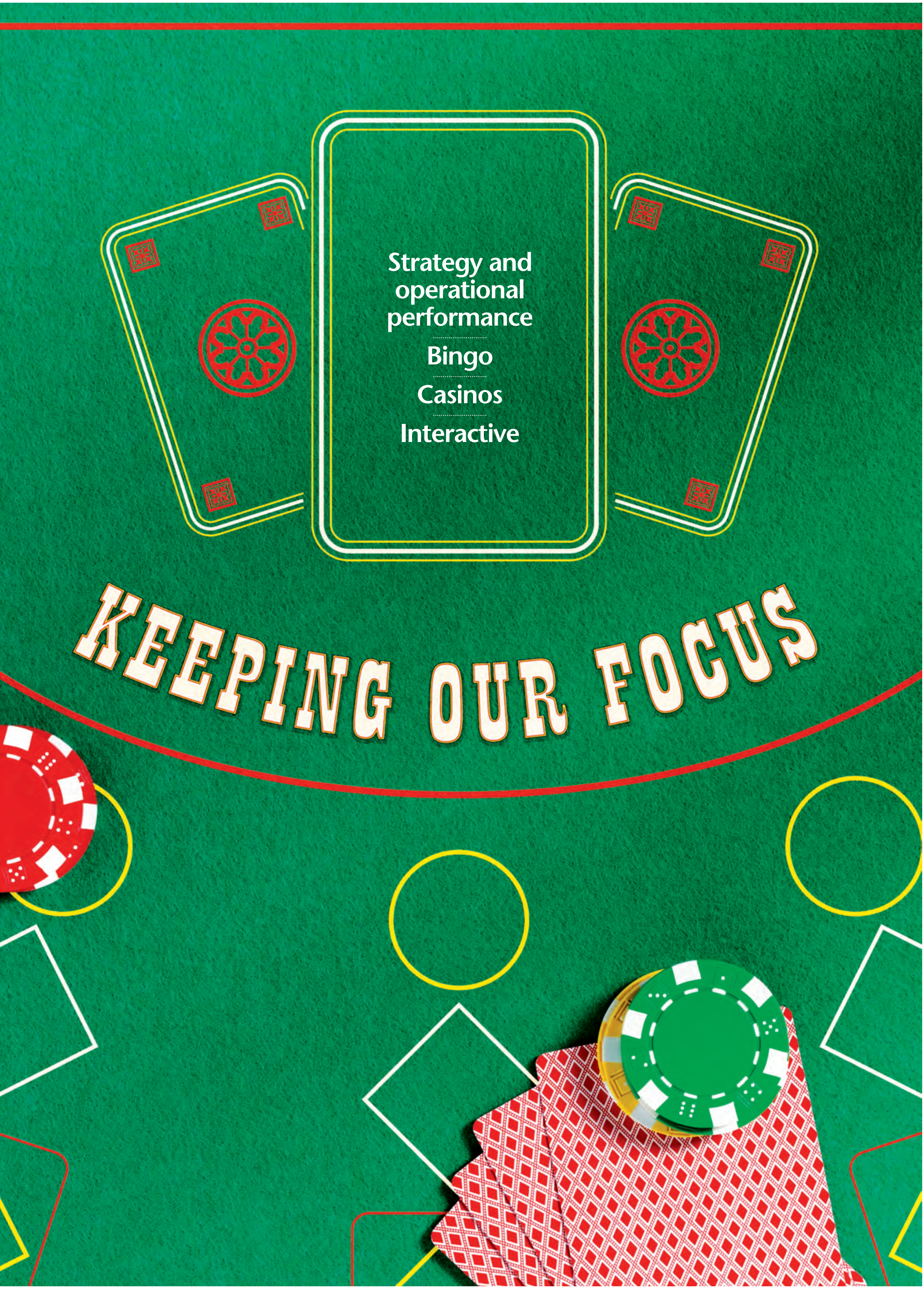
The current British Government has led the long overdue and much needed overhaul of the nation's gambling laws. The Gambling Act, which received Royal Assent in April 2005, is the product of that process of modernisation.

However, there are suggestions that the Government has since undergone a radical transformation in its approach to gambling reform. Proponents of the view that there is a reactionary spirit abroad in Whitehall cite the shock rise in casino gaming duty (announced in March 2007), unattributed comments in the press from Westminster 'insiders' and even the Presbyterian convictions of the Prime Minister's father.

Against this must be set the affirmative voting records on the Gambling Act of Gordon Brown and his entire cabinet, the absence of any official changes to policy and the value of gambling's substantial contribution to the British economy. The object of the Government's stated policy remains the creation of a successful, legitimate, responsible and well-regulated terrestrial and remote gambling industry in Great Britain.

Criticism of the Gambling Act (both from supporters and opponents of gambling) has been targeted at the detail of the regulations that it has spawned. Posterity will judge whether the Government has succeeded in creating a regulatory framework that allows gambling laws to recognise and adapt to changes in technology and to shift in sympathy with societal views.

It has to be in the broader interests of society that the Gambling Act is allowed to achieve its goals to keep crime out of gambling, to ensure fairness and to protect children and other vulnerable people. In the long term, heightened understanding of gambling's place in society will breed greater tolerance and better laws; more immediate reform is probably dependent on the ability of the press to sustain a balancing act between commercial self-interest and a good story.



Strategy and operational performance

Bingo

Casinos

Interactive

KEEPING OUR FOCUS

Strategy

Our strategy is to develop betting and gaming experiences, geared to different segments of the adult population, distributing them through a variety of leisure retail and interactive channels.

Objectives

Grow customer visits		Control costs
Develop and market compelling products and deliver outstanding service	Extend reach through retail and interactive channels	Maintain efficient and appropriate cost structure

Key Performance Indicators (KPIs)

Admissions*	Active customers	Market share UK bingo:	UK casino:	Operating margin	Sales to marketing ratio
23.5m	2.5m	28.8%	27.7%	12.8%	12:1
(2006: 24.7m)	(2006: 2.5m)	(2006: 28.7%)	(2006: 30.4%)	(2006: 13.3%)	(2006: 15:1)

Business footprint (retail)

147 units

bingo clubs and casinos (2006: 159 units)

* Retail businesses only, like for like clubs

Commentary

– Development of G Casino to access mainstream leisure market
– Continued growth in casino and interactive customers
– UK bingo and casino businesses affected by smoking ban and consumer slowdown
– Focus on rewarding loyal customers and engaging with new customers

– Closure of 11 bingo clubs and one casino in 2007
– Market share gains in UK bingo despite club closures
– Four major casino developments completed
– Plans to open five new casinos by 2012
– Blue Square international development in 2008

– Significant cost reduction in operations
– Increase in lease costs
– Structural increase in casino gaming duty
– More efficient marketing expenditure targeted in 2008

Risks

1) Regressive changes to gambling regulations
2) Further deterioration in consumer spending

1) Increased competition from new casino openings
2) Increased competition from in-home leisure

1) Further increases in taxation
2) Increases in operating costs (particularly labour)

Risk assessment

– No stated changes to gambling policy
– Hostility to gambling reform in certain quarters of the national media
– Group focus on customer value

– Pace of supply growth in casinos much slower than expected
– At least 40% of Rank's UK casinos face no new competition under current legislation

– No significant increases in taxation expected†
– Further increase in National Minimum Wage expected in October 2008

† The Group believes that it will not be affected significantly by any taxation increases in the Government's Budget on 12 March 2008

Bingo

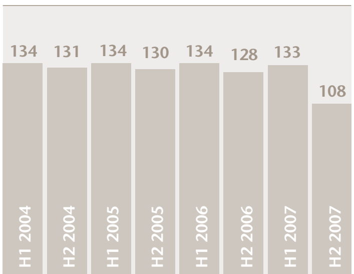
Mecca Bingo

Performance

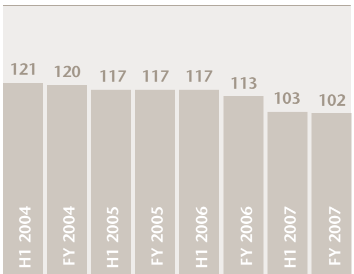
	Revenue 2007 (£m)	Revenue 2006 (£m)	Operating profit* 2007 (£m)	Operating profit* 2006 (restated) (£m)
Mecca Bingo	**240.5**	261.7	**43.6**	63.6

* before exceptional items

Revenue performance (£m)



Clubs operating



KPIs and key statistics

	2007	2006
Admissions (000s)*	**16,809**	17,964
Spend per head (£)*	**13.76**	13.45
Active membership (000s)	**999**	1,088
Market share (%)	**28.8**	28.7
Capital expenditure (£m)	**19.8**	16.3
Operating margin (%)	**18.1**	24.3

* excludes new club openings, closures and relocations

Market drivers

- Smoking ban introduced in Wales and England
- Gambling Act 2005 fully implemented
- Slowdown in consumer spending

Highlights

- Three bingo millionaires created
- £210m paid out in mainstage bingo prizes

Our UK bingo clubs business, Mecca Bingo, experienced a mixed year. An encouraging first half was overshadowed by a difficult second half, as the business started to feel the effects of the smoking ban, the loss of Section 21 gaming terminals and a deterioration in consumer confidence. These difficulties were common across the broader bingo club sector and, despite the closure of 11 clubs in the year, Mecca Bingo's share of the market increased marginally from 28.7% to 28.8.%.

During 2007, revenue from Mecca Bingo declined by 8.1% against the previous year to £240.5m, partly as a result of the closure of 11 clubs. Operating profit was down 31.4% to £43.6m, although this was due in part to £4.9m of additional lease costs, resulting from the 2006 sale and leaseback transaction.

On a like for like basis, revenue in Mecca Bingo declined by 4.3%, with admissions down 6.4% and spend per head up 2.3%. Active membership of more than 999,000 was 8.2% lower than in 2006.

During the first six months of the year, Mecca Bingo grew like for like revenue by 1.6% and delivered underlying growth in operating profit (excluding the higher lease costs). In the second half, like for like revenue declined by 12.0%, while operating profit was down 62.2%.

The Group had expected that the smoking ban and the loss of Section 21 gaming terminals (as required by the Gambling Act from 1 September 2007) would have a negative effect on revenue and operating profit in the second half of the year. However, the combination of these events, with a discernible weakening in consumer confidence, caused trading during the final four months of the year to prove more difficult than we had anticipated.

During the 17-week period between the start of September 2007 and the end of the year, like for like revenue declined by 17.3%, with admissions down by 15.0% and spend per head down by 2.8%. In England and Wales like for like revenue declined by 19.9%, whereas in Scotland (where the smoking ban was introduced in March 2006) revenue fell by 1.9%.

In preparation for the difficult trading conditions in the second half of the year, we conducted a major review of our portfolio which resulted in the closure of 11 clubs (ten in the first half and one in the second half). In February 2008, we opened our first new bingo club for 17 months, at Thanet in Kent. We will continue to keep our portfolio under review but, in the light of current trading volatility, we do not consider it prudent to commit to any further club openings or closures.

	2007 (£m)	2006 (£m)	Change (%)
Mainstage bingo	**43.2**	43.2	0.1
Interval games	**106.4**	120.4	(11.6)
Gaming machines	**67.1**	72.8	(7.8)
Food and drink/other	**23.8**	25.3	(5.9)
Total	**240.5**	**261.7**	**(8.1)**

Operating review continued

Mainstage bingo
Despite the closure of 11 clubs and the decline in admissions, we held year-on-year revenue from mainstage bingo steady at £43.2m, with a slight increase during the second half. This was largely as a consequence of our deployment of electronic bingo terminals, which allowed customers to play a higher number of bingo tickets per game. Spend per head on mainstage bingo increased by 12.5% against 2006.

Interval games
Revenue from 'Cashline' interval games declined by 11.6% to £106.4m as a result of club closures, lower comparable clubs admissions and the disruptive effect of the smoking ban. Spend per head on Cashline was down by 0.8% against 2006. The development of Cashline positions in outside smoking enclosures will help to protect interval game revenue in 2008.

Gaming machines
Revenue from gaming machines of £67.1m was down 7.8% against 2006, with club closures, lower comparable clubs admissions, the smoking ban and the loss of Section 21 gaming terminals causing a decline during the second half of the year. The requirement to remove or adapt nearly 1,000 Section 21 terminals by 1 September 2007 (upon the introduction of the Gambling Act) caused significant disruption to the business. We will be focusing greater efforts to improve our gaming machine product offer in 2008, through the development of larger and more comfortable arcades and a more targeted approach to machine deployment.

Food and drink/other
Revenue from food and drink and other items of £23.8m was 5.9% lower than in 2006, although this was affected by club closures and lower comparable clubs admissions. Spend per head increased by 5.8%.

Top Rank España

Performance

	Revenue 2007 (£m)	Revenue 2006 (£m)	Operating profit 2007 (£m)	Operating profit 2006 (£m)
Top Rank España	**32.3**	31.1	**9.3**	8.9

KPIs and key statistics

	2007	2006
Admissions (000s)	**2,458**	2,469
Spend per head (£)	**13.13**	12.61
Active membership (000s)	**330**	330
Capital expenditure (£m)	**4.5**	5.5
Operating margin (%)	**28.8**	28.6

Following a difficult 2006 (when a partial smoking ban was introduced in Spain), our Spanish bingo clubs business, Top Rank España, enjoyed a limited recovery in 2007. Revenue increased by 3.9% to £32.3m, while operating profit grew by 4.5% to £9.3m.

Admissions, which continue to be affected by the smoking ban, declined by 0.4% but spend per head rose by 4.1%, principally as a result of improvements to our gaming machines and electronic gaming products. Active membership of Top Rank España's clubs remained steady at approximately 330,000.

Casinos

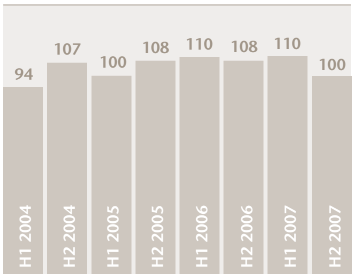
Grosvenor Casinos

Performance

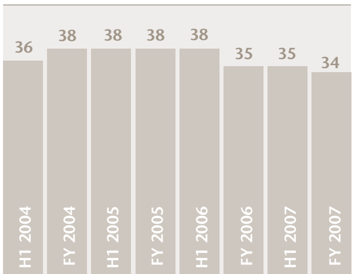
	Revenue 2007 (£m)	Revenue 2006 (£m)	Operating profit* 2007 (£m)	Operating profit* 2006 (restated) (£m)
London	88.0	94.1	14.7	14.7
Provincial	108.4	110.3	14.3	20.2
Belgium	13.1	13.2	0.9	1.4
Total	209.5	217.6	29.9	36.3

* before exceptional items

Revenue performance (£m)



Casinos operating



KPIs and key statistics

	2007	2006
Active membership (000s)	803	774
Market share (%)	27.7	30.4
Capital expenditure (£m)	17.1	24.4
Operating margin (%)	14.3	16.7

Market drivers

- Change in tax regime costs £4.6m in additional casino duty
- Smoking bans introduced in Wales and England
- Gambling Act fully implemented
- Increase in competition in certain local marketplaces
- Slowdown in consumer spending

Highlights

- G Casinos in Luton, Blackpool and London
- Two new casino licences granted

Following a strong first half of the year, Grosvenor Casinos experienced difficult trading conditions during the second half as the smoking ban and a slowdown in consumer spending affected revenue generation. Operating profit was lower than in 2006, largely as a result of higher lease costs and a substantial and unbudgeted increase in casino gaming duty, arising from the Government's Budget 2007.

Revenue from Grosvenor Casinos of £209.5m was 3.7% lower than in 2006, although this was due almost entirely to the sale of the Clermont Club in December 2006 and the closures of our Manchester Hard Rock Casino and Scarborough Grosvenor Casino in July 2006. For the same reasons, our share of the British casino market (measured as share of overall admissions) fell from 30.4% to 27.7%.

Like for like revenue declined by 0.6%, with admissions down 1.2% and spend per head up 0.6%.

Operating profit of £29.9m was 17.6% lower than in 2006. Stripping out the effects of the £4.6m increase in gaming duty and the £2.0m of additional lease costs (resulting from the 2006 sale and leaseback transaction), operating profit grew by 0.6%. Active membership of our casinos increased by 3.7% to more than 803,000, demonstrating the broadening appeal of casino gaming in Great Britain.

Trading in the second half of the year proved more challenging than in the first, as our casinos started to feel the effects of the smoking ban, the loss of Section 21 gaming terminals and the slowdown in consumer spending. New competitor casinos in London, Manchester, Bristol and Swansea also had some effect on the performances of our casinos operating in those markets.

Like for like clubs*	Admissions 2007 (£m)	Admissions 2006 (£m)	Spend per head 2007 (£m)	Spend per head 2006 (£m)
London	968	997	90.92	86.21
Provinces	3,077	3,121	30.59	31.21
UK casinos	4,045	4,118	45.03	44.52
Belgium	182	162	72.12	81.27
Total casinos	4,227	4,280	46.19	45.91

* excludes new club openings, closures and relocations

London
In 2007 our London casinos experienced a 6.5% year-on-year decline in revenue. On a like for like basis (excluding the Clermont Club, which was sold in December 2006) revenue grew by 2.4% with a 5.5% rise in spend per head off-setting a 2.9% decline in admissions. Trading conditions in the second half of the year were more difficult than in the first as the competitive impact of the new 'Casino at the Empire' on Leicester Square (owned by US gaming company, Harrah's) compounded the effects of the smoking ban. During the year, we carried out major refurbishments at our Victoria Casino and at our G Casino on Leicester Square (formerly known as the Hard Rock Casino).

Provinces
In 2007 our provincial casinos experienced a 1.7% year-on-year decline in revenue. On a like for like basis (excluding two licence relocations, two casinos closed in 2006 and one casino closed in 2007) revenue was down by 3.4% with spend per head 2.0% lower and admissions down 1.4%. In December 2007, we closed our loss-making Liverpool Grosvenor Casino.

Belgium
Our two Belgian casinos, in the seaside towns of Middlekerke and Blankenberge, generated revenue of £13.1m, slightly behind the prior year. Admissions increased by 12.3% to more than 182,000 but spend per head was 11.3% lower than in 2006.

Operating review continued

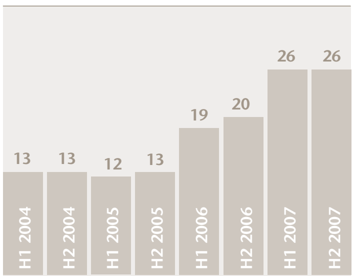
Interactive

Blue Square

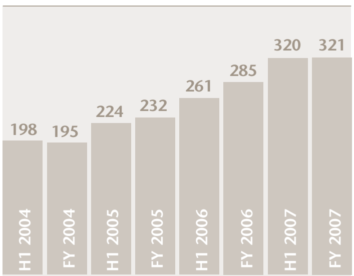
Performance

	2007 (£m)	2006 (£m)
Gaming revenue	36.9	23.0
Sportsbook revenue	15.2	16.2
Total revenue	**52.1**	**39.2**
Operating profit	**10.9**	**7.8**

Revenue performance (£m)



Active membership (000s)



KPIs and key statistics

	2007	2006
Active customers (000s)	321	285
Capital expenditure (£m)	4.5	2.8
Operating margin (%)	20.9	19.9

Market drivers

- Strong growth in broadband penetration in the UK
- Growth in games products; sports betting market maturing

Highlights

- Sports betting agreement with 888.com
- Targeted calendar of sponsorship events
- Distribution agreement with Virgin Media

Our interactive gaming business, Blue Square, grew revenue by 32.9% to £52.1m in 2007, with operating profit up 39.7% to £10.9m. Active membership increased by 12.6% to more than 321,000.

Growth was driven entirely by our gaming products, which increased revenue by 60.4% to £36.9m. We enjoyed strong performances in bingo and games (principally through meccabingo.com) but our poker product lost ground on its performance in 2006 as a result of the requirement to move from the Tribeca to the Playtech operating platforms.

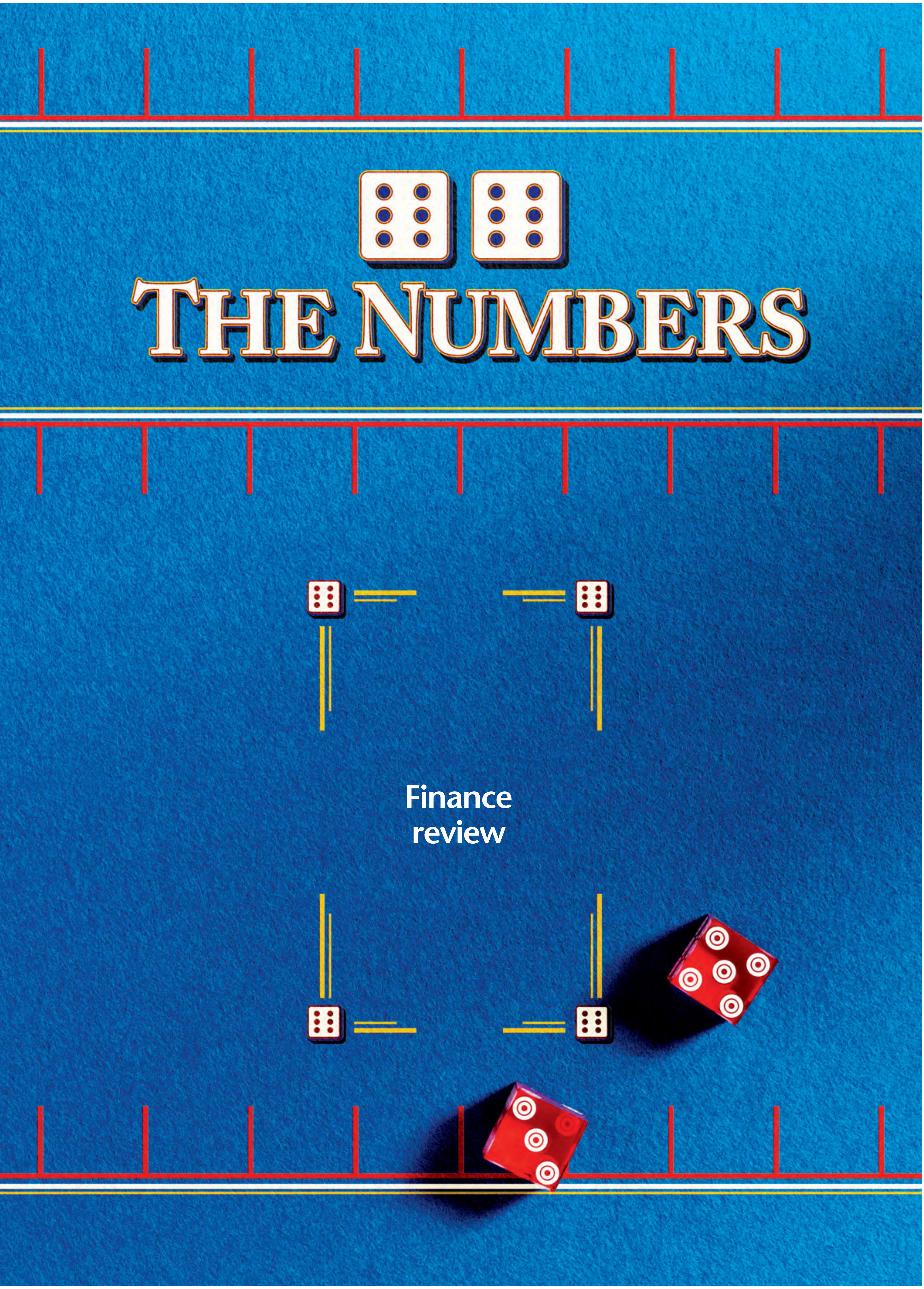
Our sports betting business had a difficult year, with revenue slipping 6.2% to £15.2m.

During 2007, we made progress in growing our business outside the UK. In November we agreed a 'white label' deal with 888 Holdings to supply the Blue Square sports betting service to customers of 888's gaming websites. We expect this to commence in the first quarter of 2008.

During the course of the year, we invested in the development of bingouniversal.com, our on-line bingo and gaming business for the Spanish market, which is scheduled for launch in the first half of this year.

The Blue Square Grosvenor UK Poker Tour, which started in 2007, was the biggest series of poker tournaments ever seen in the UK. The tour comprised a series of 11 tournaments, hosted by Grosvenor and G Casinos across the country, with total player registrations exceeding 3,000. These players competed for total prize money of more than £3.2m. Between September and December 2007, Channel 4 Television screened the tournaments in a series of 22 hour-long weekly programmes, attracting average weekly audiences of 205,000. Viewing figures for the grand final alone of 320,000 represents the biggest ever audience for a poker competition held in the UK.

In August 2007, Blue Square launched its sponsorship of the non-league Football Conference (re-christened the Blue Square Premier, Blue Square North and Blue Square South) and of its coverage on Setanta Sports Television. During the period between August and December 2007, viewing figures for Blue Square Premier matches reached 118,000. The progress of a number of Blue Square non-league football clubs in the FA Cup has resulted in significant exposure for the brand on BBC1 and SKY Sports in the current year.


THE NUMBERS
Finance
review

Finance review

The past year has been exceptionally busy with the disposal of Hard Rock, the arrangement of new banking facilities, disposal of the defined benefit pension plan and the delivery of significant cost savings across the Group.

Peter Gill, Finance Director

Results

	Revenue		Operating profit			
			Before exceptionals		After exceptionals	
	2007	2006	**2007**	2006 (restated)	**2007**	2006 (restated)
	(£m)	(£m)	**(£m)**	(£m)	**(£m)**	(£m)
Continuing operations	**534.4**	549.6	**68.3**	73.2	**23.1**	126.9
Interest (net)			**(22.1)**	(33.0)	**(22.1)**	(47.7)
Adjusted profit before taxation[1]			**46.2**	40.2	**1.0**	79.2
Amortisation of equity component of convertible bond			**(3.6)**	(3.0)	**(3.6)**	(3.0)
Unwinding of discount in disposal provisions			**(1.3)**	–	**(1.3)**	–
Net return on defined benefit pension asset			**10.5**	6.7	**10.5**	6.7
Other financial gains			**0.5**	10.0	**0.5**	10.0
Profit before taxation			**52.3**	53.9	**7.1**	92.9
Basic earnings (loss) per share – continuing operations			**7.3p**	8.4p	**(1.2)p**	19.5p
Adjusted earnings per share (note 10)			**7.4p**	4.6p		

(1) Adjusted profit before tax is group operating profit less finance costs and income.
The Group has restated its financial results for 2006 to reflect changes in accounting policy relating to exceptional items and the net return on the defined benefit asset. A restatement of Group full year profits for 2006 is contained in note 39 to the financial statements.

Group revenue from continuing operations fell by £15.2m, driven by the reductions in Mecca Bingo and Grosvenor Casinos, partially offset by the increase at our on-line business Blue Square. As noted on pages 17 to 20, revenue was impacted by the closure of a number of bingo clubs and casinos in both 2007 and 2006, as well as the effects of the smoking bans in the UK and Spain and the removal of Section 21 gaming machines.

Group operating profit before exceptional items was £4.9m lower than in 2006. Profits from our operating businesses were impacted by £4.6m in additional casino duty and £6.9m in additional lease costs arising from the 2006 sale and leaseback transaction. We reduced shared service costs and central costs by an aggregate £18.0m (although the 2006 figures included £8.9m of non-recurring costs).

The net interest charge was £10.9m lower than in 2006, which reflects lower average net debt following the sale and leaseback in 2006 and the proceeds from the disposal of Hard Rock in March 2007 (net of the accompanying payment of a special dividend in April 2007).

Adjusted Group profit before tax and exceptionals was £6.0m higher than last year.

The effective tax rate on adjusted profits is 30.9% (2006: 33.3%). The tax charge is in line with the continuing Group's anticipated effective tax rate of 30% to 35%.

Adjusted earnings per share of 7.4p (2006: 4.6p) reflects the higher adjusted pre-tax profit, the lower effective tax rate and the decrease in the average number of shares in issue. The number of shares has reduced as a result of the returns made to shareholders through the share buy-back programme in 2006 and the share consolidation that accompanied the special dividend in 2007.

In 2007 the Group paid a final dividend in respect of 2006 of 4.0p per ordinary share, an interim dividend of 2.0p per ordinary share in respect of 2007 and a special dividend of 65.0p following the disposal of Hard Rock. The special dividend was accompanied by an 18 for 25 share consolidation.

Given the difficult trading conditions currently being experienced, the level of uncertainty facing the gaming industry and the more general market concerns of a consumer spending slowdown as we move into 2008, the Board announced in December that it would not pay a final dividend for 2007. The Board intends to resume dividend payments once trading conditions and the market outlook have improved. Our medium-term dividend cover target remains 2.0 times earnings.

Exceptional items

In order to give a full understanding of the Group's financial performance and aid comparability between periods, the Group has changed its accounting policy on exceptional items as detailed in note 1A to the financial statements.

The Group has carried out an impairment review of each casino and bingo club in accordance with IAS 36. This requires a comparison of the discounted future cash flows for each club to its carrying value. The impact of the smoking ban, removal of Section 21 machines, increased casino competition and the unexpected increase in casino duty have all had a material negative impact on the Group.

The review has resulted in impairments of £25.7m in Mecca Bingo and £8.2m in Grosvenor Casinos and full details are included in note 13 to the financial statements. In addition we have created further onerous lease provisions of £19.1m in Mecca Bingo, where the future cashflows are expected to be insufficient to cover the future lease obligations. Grosvenor Casinos closed its loss-making Liverpool casino in December 2007, incurring a small write-off of fixed assets and the creation of a £1.7m onerous lease provision. These leases have an unexpired life of between ten years and 57 years. Further details on lease obligations are provided in note 35 to the financial statements.

The Group has a limited number of onerous leases at sites no longer used by the operating businesses. The provision on these sites has been increased by £6.9m as a result of lower sub-let income and increased running costs.

In the year Rank closed 11 Mecca Bingo clubs and sold six of the freehold sites for an aggregate consideration of £23.1m. The profit on disposal of the clubs, net of closure costs for the remaining clubs and Grosvenor Liverpool, totalled £16.4m.

Discontinued operations

Discontinued operations in 2007 comprise the results of Hard Rock and additionally in 2006, Deluxe Media, Deluxe Film and US Holidays. The Group completed the sale of Hard Rock on 5 March 2007, resulting in an exceptional profit of £352.7m, before related financing and taxation costs of £37.3m. The results, revenues and costs are shown in a single line on a post-tax basis in the income statement. Further details are provided in note 7 to the financial statements.

Cash flow and net debt

	2007 (£m)	2006 (£m)
Continuing operations		
Cash inflow from operations	**101.8**	107.3
Capital expenditure	**(47.3)**	(50.2)
Fixed asset disposals	**29.4**	10.1
Operating cash inflow	**83.9**	67.2
Acquisitions and disposals	**495.8**	629.9
Payment in respect of provisions and exceptional costs	**(15.8)**	(37.0)
	563.9	660.1
Interest, tax and dividend payments	**(57.3)**	(136.2)
Special dividend / share buy-back	**(352.5)**	(201.4)
Additional contribution to pension fund	**(19.6)**	(50.0)
Other (including foreign exchange translation)	**(2.5)**	34.0
Discontinued operations	**(1.7)**	(14.3)
Decrease in net debt	**130.3**	292.2
Opening net debt	**447.2**	739.4
Closing net debt	**316.9**	447.2

At the end of December 2007, net bank debt was £316.9m compared with £447.2m at the end of December 2006. The net debt comprised bank debt of £150.0m, £163.9m in convertible unsecured loan stock, £57.0m in fixed rate Yankee bonds, £14.6m in finance leases and £3.5m in overdrafts, partially offset by cash at bank and in hand of £72.1m.

Financial structure and liquidity

The Group's bank borrowings are available under a £250m revolver loan and a £150m term loan, both of which were put in place in April 2007 and which mature in 2012. These syndicated loans require the maintenance of minimum ratios of earnings before interest, tax, depreciation and amortisation to both net interest payable and net debt, which are tested bi-annually at June and December. Further details on the Group's borrowing are provided in notes 20 and 21 to the financial statements.

In addition the Group has uncommitted borrowing facilities of £40m, which are available for general use.

In January 2008 the Group repaid the $100m 6.375% Yankee bonds out of existing facilities.

In January 2009 the £167.7m 3.875% convertible unsecured loan stock falls due. The Group currently plans to repay the bond by drawing on existing bank borrowings, without recourse to the capital markets.

Finance review continued

Capital expenditure

	2007 (£m)	2006 (£m)
Mecca Bingo	19.8	16.3
Top Rank España	4.5	5.5
Grosvenor Casinos	17.1	24.4
Blue Square	4.5	2.8
Other	1.4	1.2
Total	47.3	50.2

Capital expenditure for Mecca Bingo included £2.7m on the development of our latest bingo club in Thanet (opened in February 2008) and £2.2m on various works connected with the introduction of the smoking ban, including the construction of a number of external shelters. The balance of the expenditure was on club refurbishments and minor capital works.

In Grosvenor Casinos we spent a total of £9.2m on G Casino relocations and re-branding, with £3.5m on the extension and re-branding of Blackpool as a G Casino, £1.1m on the relocation of the Luton casino (which opened in February 2007) and £4.6m on the new G Casino in Thanet (opened in February 2008), which is a relocation of our Ramsgate licence. In addition, we spent £2.1m on the refurbishment of the Victoria Casino in London, including an expanded poker room.

The increased expenditure in Blue Square included expansionary capital for the new deals with Virgin Media and 888 Holdings as well as the development of our new Spanish bingo website.

In light of the current trading conditions, the Group has decided to defer a number of major capital projects. We now expect 2008 capital expenditure to be in the order of £20m, although this will be kept under review. The new G Casino in Aberdeen (opening 2008) is unaffected by this change.

Pension fund

During the course of the year we made payments totalling £19.6m to the plan in accordance with an agreement with the Group's pension plan trustee. This included £4.6m that, under Section 75 of the Pensions Act, was required following the sales of Hard Rock and Deluxe Media.

The Group has decided to close the plan for future service accrual and, following consultation with our employees', contributions ceased in February 2008, although employees benefits have been augmented to 30 June 2008. Employees affected have been offered a replacement stakeholder scheme or a salary supplement.

As detailed in the chief executive's review, we have agreed to transfer the assets and liabilities of the Group's defined benefit pension plan to Rothesay Life, subject to tax clearance. Upon completion an exceptional charge will be recognised in 2008.

Further detail on the pension commitments is contained in note 34 to the financial statements.

Financial risk

The Group's overall risk management strategy focuses on the minimisation of risks for the Group. The Group's funding, exchange rate, liquidity and interest rate risks are managed by the Group's treasury department in accordance with treasury policies and are subject to regular internal audit review. All significant financing transactions and treasury policies are authorised by the Board of directors. Implementation of these policies is closely managed by the finance director and the director of tax, treasury and pensions. The treasury function is not run as a profit centre.

The key financial risks impacting the Group are liquidity risk, interest rate risk and credit risk. The Group has limited exposure to foreign currency and this is not considered a key risk.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. Regular cash flow forecasts are prepared that identify the requirements of the Group and these are regularly updated to ensure sufficient financial headroom exists for at least 12 months. This is coupled with a regular review of the medium-term funding requirements which, in particular, are updated alongside the Group's strategic plan process. The Group has recently negotiated new long-term facilities, as noted above, which mitigate the liquidity risk it may face.

Interest rate risk

The Group's operating cash flows are independent of changes in interest rates. The Group primarily finances itself through syndicated bank facilities and the public debt market. The bank facilities are multi-currency, although borrowings are typically drawn in sterling at floating interest rates. The Group's public debt is a combination of Sterling and US Dollar borrowings, with the majority swapped into Sterling. The Group uses interest rate swaps, caps and collars to manage its exposure to interest rate fluctuations.

Credit risk

Credit risk is the risk that a counterparty may not be able to settle amounts owing in full, when due. Surplus cash is invested in short-term financial instruments using a limited number of financial institutions with secure credit ratings. Counterparty credit ratings are reviewed regularly and significant concentration of risk with any one counterparty is avoided.

The Group's policies in relation to financial risk are set out in notes 1G and 21 of the financial statements.

Going concern

In adopting the going concern basis for preparing the financial statements the directors have considered the issues impacting the Group during 2007 as detailed in the business review on pages 4 to 20 and have reviewed the Group's projected compliance with its banking covenants detailed above. Based on the Group's cash flow forecasts and operating budgets, which take into account management's actions on capital expenditure, cost control and the suspension of the dividend and assuming that trading continues broadly in line with current levels, the directors believe that the Group will generate sufficient cash to meet its borrowing requirements for at least the next 12 months and comply with its banking covenants.

Tax contribution

Overview

Rank made a significant contribution to the UK economy in 2007 through tax and employment, as well as benefiting the economies of Spain, Belgium and Alderney through businesses based or operating in those territories.

Tax jurisdictions of Rank's businesses at 31 December 2007

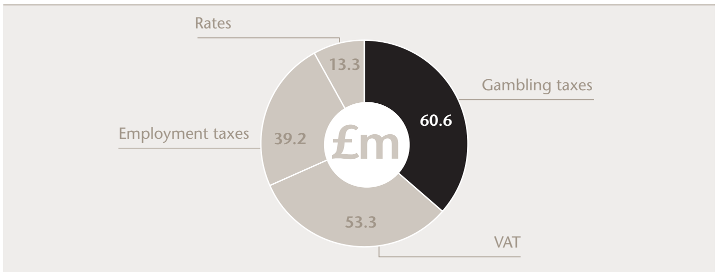
Business	Tax jurisdiction
Mecca Bingo	UK
Top Rank España	Spain
Grosvenor Casinos	UK and Belgium
Blue Square	Alderney, Channel Islands

The UK is the principal tax jurisdiction for Rank, with 84% of the Group's revenue in 2007 generated by businesses in England, Scotland and Wales.

The Group's businesses generated £166.4m for Exchequer and local government in VAT, gambling duties, income tax, National Insurance contributions and local business rates. The broader impact of Rank's operations, including taxes paid by supplier companies and the economic consequences of providing employment to more than 8,000 people, is harder to quantify but perhaps no less significant.

In 2007, the amount of VAT and gambling duties generated by Mecca Bingo and Grosvenor Casinos was 1.6% higher than in 2006, while aggregate revenue from the two businesses (excluding the two Belgian casinos) had fallen by 6.1%.

Tax generated



The table below sets out the different types of taxation that apply to each sector in which Rank operates and highlights the inequitable treatment of bingo, which is the only form of gambling in the UK to bear the system of 'Double Taxation' (where revenue is subject to both VAT and gross profits tax).

	Gaming duty	VAT	AMLD (annual)
Bingo			
Mainstage bingo	15%	17.5%	–
Interval bingo	15%	17.5%	–
Category B3 gaming machines	–	17.5%	£1,965
Category C gaming machines	–	17.5%	£735
Casino			
Casino games	15% to 50%	–	–
Poker (player to player)	–	17.5%	–
Category B1 gaming machines	–	17.5%	£2,500
Category C gaming machines	–	17.5%	£735
Interactive*			
Sports betting	15%	–	–
Gaming (casino, bingo, poker)	15%	–	–

* Rank's interactive business is based offshore (Alderney, Channel Islands) and is not subject to this taxation

Casino gaming duty

On 1 April 2007, a significant increase in the taxation of table games in British casinos was introduced. The sliding scale that determines casino gaming duty (CGD) payments was radically restructured, with the removal of the lowest two bands of CGD and the introduction of a new 50% marginal rate. This change, which was announced without adequate notification or prior consultation, resulted in a 22.6% increase in CGD (annualised) for Rank. For some smaller casinos, the rate of CGD increased by as much as 500%.

Changes to casino gaming duty – April 2007

Duty rate	Bands (April 2007)	Bands (March 2007)
2.5%	£0	£546,500
12.5%	£0	£1,212,500
15%	£1,836,500	n/a
20%	£1,266,000	£1,212,500
30%	£2,217,500	£2,124,000
40%	£4,680,000	Remainder
50%	Remainder	n/a

Source: HMRC

Peter Gill
Finance director

28 February 2008

Operating responsibly

The need to operate with consideration for the wellbeing of all of our customers and employees is at the heart of Rank's approach to business.

Responsible gaming

"The Rank Group has demonstrated that it takes seriously its responsibilities as a gambling operator. Both Grosvenor Casinos and Blue Square have developed strong operating procedures, which is why they carry the GamCare accreditation".

Geoffrey Godbold, chief executive, GamCare

Our aim is to provide enjoyment for all of our customers and our belief is that gambling should be a positive leisure experience. At the same time we recognise that for a small minority of people gambling can become an addictive behaviour which can lead to a range of problems for individuals and their families.

Our philosophy across all of our businesses and in each of the territories in which we operate is based upon the three guiding principles of the Gambling Act:

- to prevent gambling being a source of crime or disorder, being associated with crime or disorder or being used to support crime;
- to ensure that gambling is conducted in a fair and open way;
- to protect children and other vulnerable persons from being harmed or exploited by gambling.

In support of these objectives, we undertook a number of major initiatives in 2007.

GamCare accreditation

We have achieved GamCare accreditation for Grosvenor Casinos and Blue Square. This involved the facilitation of 11 visits by GamCare to our casinos in 2007.

Responsibility in Gambling Trust

In 2007 we committed £220,000 to the Responsibility in Gambling Trust (RiGT), which in turn funds a range of problem gambling counselling and education services. All advertising by Rank's UK businesses carries the address of RiGT's gambleaware.co.uk website.

Working with the Gambling Commission

In 2007, the Rank Group continued to work closely with our regulatory body, the Gambling Commission. Rank was the first group to undergo a complete risk assessment by the Gambling Commission.

The Rank Group is a supporter of the Responsibility in Gambling Trust and GamCare.

Our people

As a Group operating in one of the most tightly regulated areas of the leisure retail market, our ability to recruit and retain high calibre employees is fundamental to our success.

It is not simply that our people have a direct influence on the way that our customers feel when they are engaged with our businesses; the integrity and expertise of our people is the basis of our right to operate. Across the Group we employ more than 8,000 people in a wide variety of roles, from croupiers to callers to chefs. Of these, more than 2,000 are licensed by the Gambling Commission of Great Britain.

In 2007 we made significant progress in reducing employee turnover, as the table below shows. Across the Group, employee turnover fell from 48% in 2006 to 39% in 2007. While we continue to strive for improvement we recognise that this performance is significantly better than many businesses operating in the leisure markets. The fact that we have achieved a reduction in employee turnover in what has been a difficult trading environment for our retail business is testament to the motivation and spirit of our people.

	Employee turnover %	
	2007	2006
Mecca Bingo	41	54
Top Rank España	49	51
Grosvenor Casinos	37	40
Blue Square	28	34

During 2007 more than 5,000 of our people participated in our responsible gaming training programme. Employees from our casinos and bingo clubs are trained to identify and report signs of problem gambling in customers. Our managers are also trained in how to interact with the small minority of customers who encounter gambling problems, providing a link to counselling services provided by organisations such as GamCare.

In 2007 The Rank Group was awarded the British Safety Council's prestigious 5 Star award of excellence for its health and safety policies, procedures and control documentation.

Community

In 2007 Mecca Bingo raised £139,742 for its chosen charity, Breakthrough Breast Cancer, through a variety of community activities involving employees and customers. Fundraising highlights included:

- the general managers of Mecca Bingo in Hackney Road and Eltham Hill (both in London) raised £39,000 by visiting every Mecca Bingo club in the UK;
- members from Mecca Bingo in Wednesbury in the West Midlands climbed Mount Snowdon to raise £1,000;
- two team members from Mecca Bingo in Stevenage cycled from Stevenage to Gloucester, raising almost £2,000.

In addition Mecca Bingo in Hyde Road Manchester launched an appeal to raise £30,000 for a new children's hospital for the city.

In 2008 Mecca Bingo is supporting Whizz-Kidz as its official charity. Whizz-Kidz provides customised mobility equipment, wheelchair training, advice and life skills to disabled children. A team from Mecca Bingo is hoping to raise £15,000 for the charity by participating in the 2008 London Marathon.

Grosvenor Casinos raised money for a variety of charities during 2007, including the British Heart Foundation and Breakthrough Breast Cancer. Fundraising highlights included:

- the City Poker Classic (a charity poker tournament for investment banks and fund management firms) at the Victoria Casino raised £1,000 for Breakthrough Breast Cancer;
- a team from the Grosvenor Gunwharf Casino in Portsmouth cycled 32 miles to raise £800 for the British Heart Foundation.

Blue Square generated more than £20,000 for a variety of charities through the Grosvenor UK Poker Tour, including £2,000 for Manchester breast cancer charity, the Blossom Appeal.

Whizz-Kidz
move a life forward

Mecca Bingo supports Whizz-Kidz, which provides mobility equipment and training for disabled children.

Environment

At Rank we take responsibility for the effect of our operations on the Earth's natural resources and its climate.

In 2007, Rank established an environmental committee, chaired by Rank's chief executive, Ian Burke. The committee is charged with the scrutiny of the Group's environmental issues and is required to formulate and monitor 'green' policies in each of our businesses.

In total, Rank committed £1m to environmental projects during 2007. The focus of the Group's environmental activities has been the reduction of energy consumption and waste generation. Key achievements in the year included:

- equipment installed to optimise electrical supplies to 17 sites;
- equipment installed to reduce energy consumption on heating and ventilation systems at 23 sites;
- the appointment of a new waste management and recycling agency to identify and maximise recycling opportunities within the Company's sites.

In 2008, the Group is looking at a number of ways in which we can use our broad customer reach to promote energy efficiency in the communities where we operate.

A fleet of mountain bikes has been supplied to the new G Casino in Thanet to encourage employees to cycle to work rather than drive. The general manager of the casino, Peter Donnelly, was one of the first to take to two wheels.

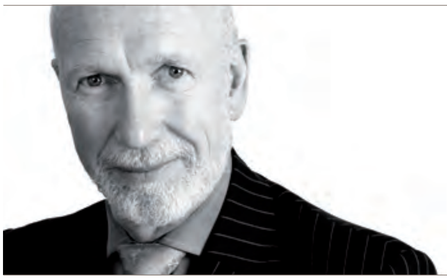
Board of directors

Name: **Peter Johnson**
Title: Chairman
Appointment: January 2007
Age: 60
Committees: Finance, Nominations
Skills and experience: Chairman of Inchcape plc, having been group chief executive from 1999 until 2005. Previously sales and marketing director of the Rover Group, chief executive of the Marshall Group and non-executive director of Wates Group Limited.
External appointments: Currently chairman of Inchcape plc, non-executive director of Bunzl plc, and vice president of the Institute of the Motor Industry.

Name: **Ian Burke**
Title: Chief Executive
Appointment: March 2006
Age: 51
Committees: Finance, Nominations
Skills and experience: Formerly chief executive of Holmes Place Health and Fitness Limited, chief executive of Thistle Hotels plc and managing director of Gala Clubs, the bingo operator. Currently a director of Business in Sport and Leisure Limited.

Name: **Bill Shannon**
Title: Non-Executive Director
Appointment: April 2006
Age: 58
Committees: Audit, Nominations, Remuneration
Skills and experience: Formerly executive director of Whitbread PLC, chairman of the Gaucho Grill restaurant group and a non-executive director of Matalan plc.
External appointments: Currently chairman of Aegon UK plc and The Grill Group. Also a non-executive director of Barratt Developments plc and an operating partner at Tri-Artisan Partners, a private equity house.

Name: **Peter Gill**
Title: Finance Director
Appointment: July 2005
Age: 52
Committees: Finance
Skills and experience: Formerly group finance director of Xansa plc and the chief financial officer of Penguin Group, the consumer book division of Pearson plc. Peter is a chartered accountant.



Name: **Richard Greenhalgh**
Title: Senior Independent Non-Executive Director
Appointment: July 2004
Age: 63
Committees: Nominations, Remuneration
Skills and experience: Formerly chairman of Unilever UK from 1998 until 2004.
External appointments: Currently chairman of The Council for Industry and Higher Education, CARE International UK, First Milk, and chairman of the UK advisory board of a US listed outsourcing company, OPI. Vice chairman of the Qualifications and Curriculum Authority.

Name: **John Warren**
Title: Non-Executive Director
Appointment: January 2006
Age: 54
Committees: Audit, Nominations, Remuneration
Skills and experience: Formerly group finance director of WH Smith PLC and United Biscuits plc and a non-executive director of RAC plc and Rexam plc.
External appointments: Currently holds non-executive directorships at Bovis Homes Group plc, BPP Holdings plc, Spectris Plc and Uniq plc.

Rank's executive committee assists the chief executive in directing and promoting the profitable operation and development of the Group.

Board committees

Audit Committee
Chairman: John Warren
Members: Brendan O'Neill*, Bill Shannon
Responsibilities: The Audit Committee assists the Board in reviewing the effectiveness of internal control systems. The Committee also reviews financial statements to be published externally before their submission to the Board, in order to ensure that they present a fair assessment of the Group's position and prospects. It also authorises any change in accounting policies.

Finance Committee
Chairman: Peter Johnson
Members: Ian Burke, Peter Gill
Responsibilities: The Finance Committee is an executive committee to which certain specific authorities have been delegated by the Board, principally in respect to capital expenditure authorisation and the financing of the Group.

Nominations Committee
Chairman: Peter Johnson
Members: Ian Burke, Richard Greenhalgh, Brendan O'Neill*, Bill Shannon, John Warren
Responsibilities: The Nominations Committee is responsible for identifying and nominating, for the approval of the Board, all new Board appointments. The Board believes that it is helpful for the chairman and the chief executive to be formally involved in this process and thus both of them are members of the Committee, as are all of the non-executive directors.

Remuneration Committee
Chairman: Richard Greenhalgh
Members: Bill Shannon, John Warren
Responsibilities: The Remuneration Committee is responsible for determining the remuneration arrangements for the chairman, the executive directors and other members of the executive committee.

Details of Board committee meetings can be found in the corporate governance report on page 36.

Executive Committee

Name: Ian Burke
Title: Chief Executive
Skills and experience: See opposite

Name: Peter Gill
Title: Finance Director
Skills and experience: See opposite

Name: Pamela Coles
Title: Company Secretary
Age: 46
Skills and experience: Joined Rank as company secretary in November 2005. She was formerly company secretary of RAC plc.

Name: Alan Armstrong
Title: Compliance and Development Director
Age: 53
Skills and experience: Appointed compliance and development director in 1996, having previously held positions in training, audit and compliance, licensing, security, health and safety, property and development, legal and insurance and public affairs.

Name: Julian Barker
Title: Director of Strategy
Age: 36
Skills and experience: Julian joined Rank in February 2008 as director of strategy. Previous roles include director of strategy at Orange and director of strategy and planning at Wanadoo.

Name: Sue Waldock
Title: Human Resources Director
Age: 55
Skills and experience: Appointed group human resources director in 2006. Previously she held the position of human resources director for Rank Group Gaming. She is a fellow of the Chartered Institute of Personnel Development and chairman of the employment group for Business in Sport and Leisure Limited.

Name: Martin Belsham
Title: Managing Director, Blue Square
Age: 47
Skills and experience: Joined Rank in 2003, when the Group acquired Blue Square, the business that he had founded four years earlier. Previously, Martin was managing director of City Index and a director of ICAP.

Name: Valentin Coruna
Title: Managing Director, Top Rank España
Age: 54
Skills and experience: Joined Rank to set up Top Rank España in 1994. Previous positions in the Spanish gaming industry include director of new business with Cirsa.

Name: Peter McCann
Title: Managing Director, Grosvenor Casinos
Age: 55
Skills and experience: Joined Rank in 1980. Worked in the UK gaming industry for more than 30 years, holding a variety of positions within the bingo clubs and casinos sectors. In April 2006 he was appointed managing director of Grosvenor Casinos.

Name: Simon Wykes
Title: Managing Director, Mecca Bingo
Age: 40
Skills and experience: Appointed managing director of Mecca Bingo in April 2006. Previously he held the positions of operations director and regional director for Mecca Bingo. Simon has also worked for Leisure Parcs, Gala Group (in bingo clubs and casinos) and First Leisure.

* Brendan O'Neill served as a non-executive director throughout the year and retired from the Board on 31 December 2007.

Remuneration report

This report details The Rank Group Plc's (the Company) executive remuneration policy and includes information on the remuneration of the directors for the financial year ended 31 December 2007.

Remuneration Committee
Whilst it is the Board's responsibility to determine the structure and cost of executive remuneration it must take account of the recommendations of the Remuneration Committee. The setting of the remuneration, benefits and employment packages for the chairman, executive directors and other senior executives has been delegated by the Board to the Remuneration Committee. The formal terms of reference of the committee are available on written request to the company secretary.

The members of the Remuneration Committee are all independent non-executive directors. Richard Greenhalgh has been a member of the committee since July 2004 and became chairman of the committee in April 2006. He is supported by Bill Shannon and John Warren, both of whom joined the committee in April 2006. Details of committee meeting attendances are included in the corporate governance report on page 36. Meetings of the Remuneration Committee are generally attended by the Group's chairman, chief executive and company secretary but they are not present at any discussion regarding their own remuneration. In 2006 Watson Wyatt was appointed by the committee to provide guidance on remuneration matters and share-based incentive programmes for executives. They did not provide any other services to the Group during 2007. The Group's company secretariat and human resources department have supported the committee by preparing reports on remuneration and employment conditions within the Group; internal assistance is provided by Pamela Coles, the company secretary.

Remuneration policy
Executive directors
The committee aims to ensure that remuneration and incentive arrangements are congruent with shareholder interests and aligned with market practice for organisations of comparable size and with Rank's main competitors. It is the Committee's view that performance-related pay should form a significant element of the remuneration package and that this, together with shareholding guidelines for the executive team, is the optimum method to encourage and reward executives to achieve the Group's strategic objectives. The Committee reviews the structure and size of awards regularly to ensure these objectives are met. The shareholding guideline for the chief executive is 150% of base salary, 100% for the finance director and 50% for other members of the executive committee. Executives are expected to build up the required level of holding over a five year period.

Non-executive directors
The chairman and non-executive directors are remunerated by way of fees only and are not included in bonus, share, pension or long term incentive plans of the Company. Fees for non-executives are set by the chairman and executive directors. The Remuneration Committee determines the chairman's fee. The chairman also receives a travel expense allowance. Non-executive directors' fees recognise the time commitment and responsibility levels of the specific roles performed. Thirty per cent of non-executive directors' after tax fees are used, on a quarterly basis, to purchase ordinary shares in the Company. The shares must be kept throughout service. The chairman and non-executive directors' fees for 2007 and base fees with effect from 1 January 2008 (including any part used to purchase shares) are shown in the directors' remuneration summary on page 33.

Remuneration structure
a) Base salary and benefits
Base salaries are broadly in line with the market median level. The committee uses comparator group data supplied by independent remuneration consultants to maintain the appropriate alignment. The committee's decisions on individual base salaries take into account market data, personal performance, company performance and base salary increases awarded elsewhere in the Group.

Long term disability and health insurance, life assurance and a car or car allowance are offered in line with standard market practice.

As part of a number of actions agreed in autumn 2007 to address the trading deterioration in Mecca Bingo and Grosvenor Casinos, all January 2008 pay reviews (with the exception of Blue Square and Top Rank España) have been deferred. This deferral includes the chief executive, executive directors and all other members of the executive committee. The decision will be kept under review during the course of 2008 but if, as a result of a significant and sustained improvement in trading performance, a delayed review is implemented, it will not be backdated to 1 January 2008.

b) Annual cash bonus
The annual bonus arrangement for executive directors is designed to incentivise and reward the achievement of strategic objectives measured by specific financial target performance. The chief executive has a target annual bonus of 50% of base salary whilst the finance director has a target bonus of 40% of base salary. The maximum bonus for the chief executive is 100% of base salary and 80% for the finance director and requires achievement significantly ahead of all targets.

In 2007 operating profit targets constituted the primary measure (75% of the available bonus) with Group cashflow the secondary measure (25% of the available bonus). Based on these measures and targets the 2007 annual cash bonus earned for Peter Gill was 15.5% and for Ian Burke 19.5%. The annual cash bonus payable in respect of 2007 performance is disclosed in the director's remuneration summary on page 33. Payment of the 2007 annual bonus for Ian Burke is deferred for a period of 12 months and will only be paid provided that annual bonus targets for 2008 are met. Should no bonus be earned in 2008, the deferred 2007 bonus will not be payable.

The supplemental bonus (in the form of restricted shares awarded under the Deferred Share Bonus Plan) agreed in 2006 vested on 1 December 2007 for eligible employees remaining in employment with the Group at that date. This resulted in an award of shares equivalent to £50,281 for Ian Burke and £35,887 for Peter Gill. The Board agreed that the restructuring targets under the 2007 bonus scheme (in place for selected executives only, including Peter Gill and Ian Burke) have been met. Given trading difficulties in the second half of 2007, payment of this element of the bonus has, however, been deferred.

For 2008 the target and maximum bonus potential for the chief executive, finance director and non-operational executive committee members will remain at 2007 levels and will be based solely on Group operating profit. Operational executive committee members will have a primary business specific profit measure (75%) and a secondary Group profit measure (25%). For 2008 only the bonus arrangement for the director of strategy will be equally weighted between a financial measure (Group operating profit) and personal objectives. Bonus potential is the same as that offered to other executive committee members i.e. 40% of base salary for achievement of target and 80% of base salary for maximum performance.

c) Long-term incentives
The Company offers a Save-As-You-Earn (SAYE) share option scheme in which all UK employees may participate. Savings up to a maximum of £250 per month can be made over either three or five years. At the end of the period the accumulated savings plus interest can be used to purchase shares in the Company at a price set at a 20% discount to the market value at the beginning of the savings period. In line with normal practice the exercise of options is not subject to any performance condition.

Executive Share Option Scheme ('ESOS')
At the 2007 Annual General Meeting shareholders agreed the Board's proposal to suspend grants under the ESOS with immediate effect. As a consequence no grants were made in 2007. In 2006 executive directors and certain senior executives were granted options to purchase shares at a price fixed at the market value at the date of grant. Vesting of these grants is conditional on a specified increase in normalised earnings per share ('EPS') above the UK Retail Prices Index ('RPI') over a three-year performance period as detailed below:

Total exercise price	Performance condition
– up to 1 x base salary	RPI + 3% per annum
– up to 2 x base salary	RPI + 5% per annum
– up to 3 x base salary	RPI + 7% per annum

Retesting of the performance conditions is not permissible for ESOS awards granted in, or after, 2005. Grants made before 2005 allow for the performance period to be extended by one year. The Remuneration Committee will ensure that EPS is measured appropriately over the performance period by calculating EPS for the base period and the end of the period on a consistent basis.

SAYE and ESOS options are satisfied through the issue of new shares and the Committee has regard to institutional guidelines relating to annual flow-rates whenever share options are granted.

The executive directors' interests in ESOS and SAYE are shown in table 2 on page 33.

Long Term Incentive Plan ('LTIP')
For 2005 and 2006 LTIP awards to executive directors and selected senior executives vesting of shares is subject to a 2% per annum growth in normalised EPS over a three-year period and a median relative total shareholder return ('TSR') achievement against a comparator group. Vesting is at 100% for upper quartile performance and 30% for median with straight-line vesting for performance in between. There is no vesting for below median performance.

2006 comparator companies	2005 comparator companies
De Vere	BAA
Enterprise Inns	Boots
InterContinental Hotels	De Vere
London Clubs International	EMI
Luminar Group Holdings	Home Retail Group
Millennium & Copthorne Hotels	Ladbrokes
Mitchells & Butlers	InterContinental Hotels
Punch Taverns	ITV
Stanley Leisure	Kingfisher
Wetherspoon	Luminar Group Holdings
Ladbrokes	Mothercare
Whitbread	MyTravel
William Hill	Next
	Pearson
	Scottish & Newcastle
	Stanley Leisure
	DSG International
	WH Smith
	Whitbread

Where a comparator company delists, its TSR as at the delisting date is increased in accord with bank base rates for future monitoring.

TSR is measured by independent consultants and tracks the change in ordinary share price over the performance period and the gross value of dividends, assuming immediate re-investment in shares during that period. To reduce the impact of short-term TSR volatility, daily closing price averages for shares over the previous three months are used.

The TSR ranking at 31 December 2007 for the 2005 and 2006 awards were:

	TSR ranking at 31 December 2007	Vesting
2005	20th out of 20	Nil
2006	14th out of 14	Nil

At the 2007 Annual General Meeting shareholders approved a number of amendments to the design and functioning of long-term incentives for executive directors and specified senior executives. One of the key changes entailed alterations to the rules of the LTIP to permit the Remuneration Committee to set appropriate financial targets for grants made from 2007. As a consequence, in 2007 the executive directors and other executive committee members were made an overall award of shares under the revised LTIP of 100% of base salary. The grant was split into two equal components, each equivalent to 50% of base salary and subject to EPS performance measures over a three-year period and a four-year period. In addition, the committee proposes to reference the FTSE-350 return index when considering whether it is appropriate for grants to vest or not.

– three-year performance: (2009 EPS targets)	minimum level: EPS of 7.8p per share (30% of grant vests) maximum level: EPS of 10.4p per share or more (100% of grant vests)
– four-year performance: (2010 EPS targets)	minimum level: EPS of 9.0p per share (30% of grant vests) maximum level: EPS of 12.0p per share or more (100% of grant vests)

For performance between minimum and maximum, vesting is on a straight-line basis.

In setting the performance targets the Remuneration Committee sought and took due regard of the views of its major shareholders and institutional investment bodies such as the Association of British Insurers (ABI) and Research Recommendations and Electronic Voting (RREV).

Remuneration report continued

d) Pension
The Company makes a contribution of 35% of base salary to Ian Burke under the Group's Self-Invested Pension Plan ('SIPP'). Peter Gill receives a salary supplement of 30% of salary in lieu of any provision under the Company's pension arrangements.

Following the conclusion of a consultation process the Company has advised members of the Rank Pension Plan, which is a defined benefits scheme, that it will cease accrual to the Plan. The Plan has been closed to new members since April 2000. Plan members will be offered a choice of joining the Company's Stakeholder Pension Plan or, alternatively, receiving a salary supplement in lieu of pension provision. This action will not affect the executive directors as they do not participate in the Plan but it will impact certain members of the executive committee.

Service contracts and external directorships
It is Company policy that executive director service contract notice periods should not normally exceed 12 months. The Company does recognise, however, that for external appointments a longer initial notice period may be appropriate, reducing to one-year or less after an initial period. Both Ian Burke and Peter Gill now have one year notice periods. Any compensation payment made as a result of an executive director leaving the Company's employment is subject to Remuneration Committee approval, taking account of the terms of their contract and the reasons for termination. Other than as contractually necessary, severance payments are usually limited to payment of unworked contractual notice, comprised of base salary and a cash equivalent value for fixed benefits (including pension contributions). In circumstances where a breach of the Company's policies results in dismissal, either a reduced payment or no payment may be made. Depending on the situation, an executive may have an entitlement, or the Remuneration Committee may exercise its discretion to allow, an exercise of outstanding share option awards or long-term incentive grants subject to the rules of the relevant plan.

As Ian Burke and Peter Gill are not members of a defined benefit pension arrangement there is no issue of abatement for early retirement.

The chairman and non-executive directors serve under letters of appointment which may be terminated without liability for compensation.

The executive directors are allowed to accept one external appointment in a non-executive capacity and to retain any fees received providing always that there is no conflict of interest and the commitment is not excessive. Neither Ian Burke nor Peter Gill currently hold any non-executive directorships.

Directors' interests in Ordinary shares
The total interests of executive and non-executive directors in the issued share capital of the Company are as follows:

	Ordinary 13 8/9p shares 31 December 2007	Ordinary 10p shares 1 January 2007
Chairman:		
Peter Johnson	45,000	–
Executive Directors:		
Ian Burke	75,553	10,000
Peter Gill	37,365	10,000
Non-executive Directors:		
Richard Greenhalgh	9,938	6,653
Brendan O'Neill	6,376	5,597
Bill Shannon	11,117	7,427
John Warren	14,564	12,762
Total	199,913	52,439

There have been no changes in the interests of executive and non-executive directors since 31 December 2007.

In accordance with the Companies Act 1985 executive directors are deemed to have an interest in the Ordinary shares of the Company held by the Rank Group Employee Benefit Trust. At 1 January 2007 the Trust held 202,852 Ordinary 10p shares. At 31 December 2007, and at the date of this report 1,059,826 Ordinary 13 8/9p shares were held in the Employee Benefit Trust.

The Trust holds shares to meet the requirements of awards vesting from the LTIP. An estimate of awards likely to vest is calculated periodically and the appropriate number of shares are purchased.

Company performance
Shown below is the Company's TSR performance compared with the FTSE-250 index (excluding investment companies) for the five years to 31 December 2007. The Committee has selected this index as the Company was a constituent of the FTSE-250 for the majority of this period.

Value of hypothetical £100 holding

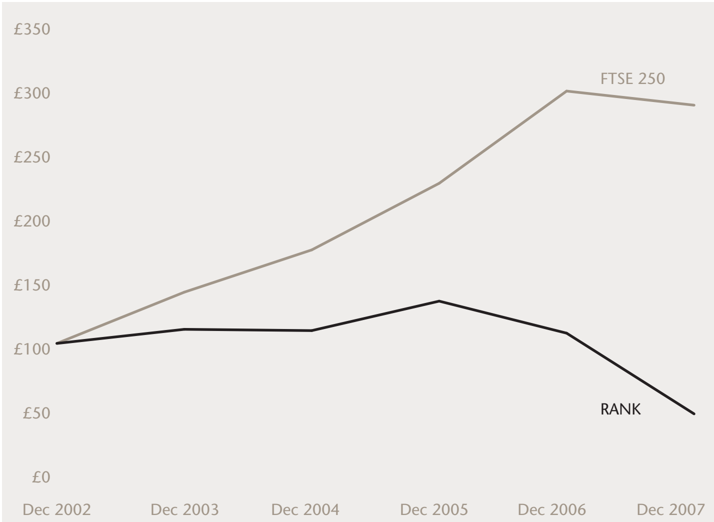


Table 1: Directors' remuneration summary (audited)

The detailed emoluments received by the directors for 2007 are shown below with the annual rate of base pay from 1 January 2008:

	Base salary/ base fees £000	Committee chairman's fees £000	Benefits £000	Expense allowances (including car allowance) £000	Annual bonus £000	SIPP/ DC pension/ salary supplement £000	Total emoluments: **Total 2007 £000**	Total emoluments: Total 2006 £000	Annual rate of basic pay from 01.01.08 £000
Chairman:									
Alun Cathcart(1)	32	–	–	2	–	–	**34**	205	–
Peter Johnson(2)	150	–	–	10	–	–	**160**	–	150
Executive Directors:									
Ian Burke(3)	525	–	17	19	102	184	**847**	850	525
Peter Gill	375	–	13	19	58	112	**577**	677	375
Non-executive Directors:									
Richard Greenhalgh	38	10	–	–	–	–	**48**	46	38
Brendan O'Neill(4)	38	–	–	–	–	–	**38**	38	–
Bill Shannon	38	–	–	–	–	–	**38**	29	38
John Warren	38	8	–	–	–	–	**46**	44	38
Total	1,234	18	30	50	160	296	**1,788**	1,889	1,164

Notes:
1. Alun Cathcart resigned on 28 February 2007.
2. Peter Johnson was appointed on 1 January 2007.
3. Payment of the 2007 annual bonus for Ian Burke is deferred for a period of 12 months and will only be paid provided that annual bonus targets for 2008 are met.
4. Brendan O'Neill resigned on 31 December 2007.

The Board agreed that the restructuring targets under the 2007 bonus scheme (in place for selected executives only, including Peter Gill and Ian Burke) have been met. Payment of this element of the bonus has, however, been deferred.
David Boden, a former executive director received £20,000 under a consultancy arrangement (2006 – £60,000).
The widow of John Garrett, a former executive director, received £32,667 (2006: £32,453) in respect of an unfunded pension obligation.

Table 2: Executive directors' interests in options (audited)

	Scheme	Date of grant	Exercise price (p)	Number at 01.01.07	Number granted during 2007	Number (lapsed) during 2007	Number at 31.12.07	Performance period ending 31 Dec (maximum)	Earliest exercise date	Exercise period end date
Ian Burke	ESOS	10 Mar 06	237.58	429,328	–	–	429,328	2008	10 Mar 09	09 Mar 16
	SAYE	02 Oct 06	187.00	5,053	–	(5,053)	–	–	01 Dec 09	31 May 10
	SAYE	03 Oct 07	139.00	–	6,906	–	6,906	–	01 Dec 10	31 May 11
Peter Gill	ESOS	22 Sep 05	303.25	230,831	–	(230,831)*	–	lapsed		
	ESOS	10 Mar 06	237.58	101,119	–	–	101,119	2008	10 Mar 09	09 Mar 16
	SAYE	02 Oct 06	187.00	8,756	–	(8,756)	–	–	01 Dec 11	31 May 12
	SAYE	03 Oct 07	139.00	–	12,086	–	12,086	–	01 Dec 12	31 May 13

* Failed to meet the performance criteria at 31 December 2007 and therefore lapsed

The market value of an Ordinary share was 91.25p at 31 December 2007. During the year the highest market value of an Ordinary share was 231.01p and the lowest was 77.75p. No share options were exercised by directors in 2007.

The Board has suspended normal grants under the ESOS and future grants will only be made in special cases of recruitment and retention.

Remuneration report continued

Table 3: Executive directors' interests in the Long Term Incentive Plan and Deferred Share Bonus Plan (audited)

	Plan	Date of award	Market price at award (p)	Market price at release (p)	Number at 01.01.07	Number awarded during 2007	Number (vested) during 2007	Number (lapsed) during 2007	Number at 31.12.07	Status/ performance period ending 31.12.07
Ian Burke	LTIP	10 Mar 06	236.00	–	216,101	–	–	–	216,101	2008
	LTIP	15 May 07(1)	195.50	–	–	134,271	–	–	134,271	2009
	LTIP	15 May 07(1)	195.50	–	–	134,271	–	–	134,271	2010
	DSBP(2)	10 Apr 07	213.00	105.00	–	47,887	(47,887)	–	–	Vested
Peter Gill	LTIP	22 Sep 05	303.75	–	115,226	–	–	(115,226)(3)	–	Lapsed
	LTIP	10 Mar 06	236.00	–	92,542	–	–	–	92,542	2008
	LTIP	15 May 07(1)	195.50	–	–	95,887	–	–	95,887	2009
	LTIP	15 May 07(1)	195.50	–	–	95,887	–	–	95,887	2010
	DSBP(2)	10 Apr 07	213.00	105.00	–	34,178	(34,178)	–	–	Vested

1. For the 2007 awards, half of the award is subject to a three-year performance period and half of the award is subject to a four-year performance period. There will be no retesting of either element of the award.
2. Deferred Share Bonus Plan 2006.
3. Failed to meet the performance criteria at 31 December 2007 and therefore lapsed.

No variation was made to the terms of any of the LTIP awards during the year.

On behalf of the Board

Richard Greenhalgh
Chairman of the Remuneration Committee
28 February 2008

Corporate governance

The policy of the Board is to manage the affairs of the Company in accordance with the principles of the Combined Code (2006) on Corporate Governance and annexed to the Listing Rules of the Financial Services Authority ('the Code'). This statement explains how the Company applies the principles of the Code.

Board
The directors believe that it is essential that the Company should be both led and controlled by an effective Board. The Board has adopted a formal statement of its powers, duties and responsibilities, and recognises that its main functions are as follows:

- agreeing objectives, policies and strategies, and monitoring the performance of the executive management;
- keeping under review the general progress and long-term development of the Group in light of the political, economic and social environments in which it operates;
- controlling and monitoring the financial state and performance of the Group (including investment and financing plans), determining the desired financial ratios and approving the objectives of the Group's business plan;
- deciding on major changes in organisation and the shape of the Group, including entry into new fields of operation and departure from those which are no longer appropriate;
- approving major expenditure and transactions with other companies including, for example, acquisitions, disposals, joint ventures and significant supply arrangements;
- ensuring that the Group pursues sound and proper policies in relation to:

  (a) safety, health and environmental matters; and

  (b) corporate governance;
- delegating clear responsibility and authority to the chairman, committees of the Board, the chief executive, directors or groups of directors, officers and others; and
- giving approval or support, as appropriate, to the most senior appointments in the Group and ensuring that adequate career development, succession and remuneration arrangements exist for them.

There is a formal schedule of matters reserved for the Board's decision.

Regular Board meetings are held (not fewer than eight times in a year). At least one meeting is devoted to strategy, and is held away from the Company's head office. Ad hoc meetings may be convened in between regular meetings to address any matters requiring Board consideration. The chairman holds at least one meeting a year with the non-executive directors without the executive directors being present and, led by the senior independent director, the non-executive directors meet without the chairman present at least once a year to appraise his performance.

The Company has arranged insurance cover in respect of legal action against its directors. To the extent permitted by UK law, the Company also indemnifies the directors. Neither the insurance nor the indemnity provides cover in situations where a director has acted fraudulently or dishonestly.

Chairman and chief executive
There is a clear division of responsibilities at the head of the Company, with the chairman responsible for the effective operation of the Board, encouraging the active participation of all directors, and the chief executive responsible for the running of the Company's businesses. The Board has approved formal statements describing the role and remit of both the chairman and the chief executive, which emphasise this division of their responsibilities.

The Board is mindful of the need to ensure that the chairman has enough time available to devote to the job. Peter Johnson was chairman from 1 March 2007 (succeeding Alun Cathcart who left the Board on 28 February 2007) and the Board is satisfied that his other significant commitments had no material impact upon the amount of time that he was able to devote to his chairmanship of the Group during the year.

Board balance and independence
The Board includes a balance of executive and independent non-executive directors, whose biographical details are given on page 28. Richard Greenhalgh has been the senior independent director since May 2006. The directors have wide-ranging business experience, and no individual, or group of individuals, dominates the Board's decision-making process. The Board also considered Peter Johnson as independent on his appointment as a director.

Appointment of the Board
The Board accepts that there should be a formal, rigorous and transparent procedure for the appointment of new directors. The Board has formalised and adopted terms of reference for its Nominations Committee which are available on request to the company secretary. A report of the Nominations Committee's work during 2007 is given on page 36. The Board has agreed the terms and conditions for the appointment of non-executive directors, which are also available for inspection and comply with the Code. Peter Gill and John Warren will retire by rotation at the Annual General Meeting and, being eligible, are offering themselves for re-appointment. Peter Gill is the Company's finance director and has a service agreement terminable on one year's notice; John Warren is chairman of the Audit Committee and a member of the Nominations and Remuneration Committees, he does not have a service agreement with the Company.

Information and professional development
The Board receives a steady flow of information to enable it to discharge its duties, including a monthly report detailing current and forecast trading results and treasury positions. It also receives regular updates on shareholders' views as part of the monthly report, and more formal briefings on shareholders' views are given to the Board following the presentation of the Company's interim and annual results. Board papers are generally distributed not less than five days in advance of the relevant meeting to allow the directors fully to prepare for meetings, and minutes of committee meetings are circulated to all directors. The Board is kept fully informed of developments within the Company's businesses through regular presentations by divisional management. Induction programmes for newly-appointed directors are devised to ensure that directors spend time with divisional management and can visit operational sites.

All directors have access to the advice and services of the company secretary, who is responsible for ensuring that Board procedures are followed, and to independent professional advice, if required, at the Company's expense.

Performance evaluation
The evaluation process for the performance of the Board as a whole, and that of individual directors, was carried out through a questionnaire process between the chairman and each director. This was designed to provide an objective assessment and covered the areas of Board process and administration, and the contribution made by each individual. In addition, led by Richard Greenhalgh, the chairman's performance was evaluated by means of a questionnaire. The outcomes of these assessments were then reported to, and discussed by, the whole Board. The conclusion was reached that the Board continues to function effectively and that both the Board and its committees were discharging their duties in full accordance with their terms of reference.

The performance of the Remuneration Committee during the year was also appraised by the Board. The Audit Committee's performance and the effectiveness of the external audit process were evaluated through the completion of suitable questionnaires. The results of these evaluations, which were carried out by the members of the Committee, were then reviewed by the Board.

Corporate governance continued

Re-election of directors
All directors are subject to re-appointment by shareholders at the first Annual General Meeting following their appointment, and thereafter at intervals of not more than three years apart. Non-executive directors are engaged for an initial period of three years, subject to their re-appointment having been confirmed by shareholders as described above.

The Board is satisfied that the chairman, and each non-executive director, is able to devote the necessary amount of time required to attend to the Company's affairs.

The Audit Committee
Rank's Audit Committee is comprised solely of independent non-executive directors. Details of the committee's membership throughout 2007 are as follows:

	Date first appointed
John Warren	January 2006
Brendan O'Neill*	October 2004
Bill Shannon	April 2006

* Resigned 31 December 2007

John Warren has chaired this committee since April 2006.

The Board is satisfied that all members of the committee have recent and relevant financial experience. Normally the chairman, chief executive, finance director and the company secretary (as head of internal audit) attend committee meetings, as do representatives of the external auditors.

The Audit Committee's responsibilities are set out on page 29, its terms of reference are available on request to the company secretary.

The committee meets at least annually with the external auditors without management being present. The committee keeps under review the independence and objectivity of the external auditors, and their effectiveness. In particular, the committee oversees the nature and amount of non-audit work undertaken by PricewaterhouseCoopers LLP each year to ensure that external auditor independence is safeguarded. All non-audit services above a value of £50,000 to be performed by the external auditors are required to be approved by the Audit Committee in advance and the Group's policy is that, where appropriate, non-audit work is put out to competitive tender. Details of the year's fees paid to the external auditors are given in note 3 to the financial statements.

During the year, the Gambling Commission undertook a compliance review of the Grosvenor and Mecca businesses and the results of that review were considered by the committee.

The Finance Committee
The Finance Committee's responsibilities are set out on page 29.

Alun Cathcart chaired this committee until Peter Johnson took over from him on 1 March 2007.

The Nominations Committee
The Nominations Committee's responsibilities are set out on page 29.

Peter Johnson replaced Alun Cathcart as chairman of the committee on 1 March 2007.

During 2007, the committee met formally on four occasions and endorsed the re-appointment of Richard Greenhalgh as a non-executive director and also, taking into account the existing balance of skills, knowledge and experience on the Board, assessed the need for a replacement non-executive director for Brendan O'Neill following his retirement on 31 December 2007.

The Remuneration Committee
The Remuneration Committee is comprised solely of independent non-executive directors. Richard Greenhalgh has chaired the Committee since April 2006, with Bill Shannon and John Warren being its other members. The committee meets not less than twice a year and is responsible for determining the remuneration packages of the chairman, the executive directors and other members of the executive committee. Details of the Remuneration Committee's deliberations during 2007 are contained in the remuneration report on pages 30 to 34, which also summarises the Company's remuneration policy and contains details of directors' remuneration. The committee met formally on seven occasions during 2007.

Meetings attendance
Details of attendances (actual, and possible in brackets) of directors and committee members at the principal Board and committee meetings held in 2007 were as follows:

	Board (Total 10)	Audit (Total 4)	Rem (Total 7)	Nom (Total 4)	Finance (Total 21)
Alun Cathcart*	1(2)	–	–	1(1)	1(3)
Peter Johnson	10(10)	–	–	4(4)	17(18)
Ian Burke	10(10)	–	–	4(4)	19(21)
Peter Gill	10(10)	–	–	–	19(21)
Richard Greenhalgh	10(10)	–	7(7)	3(4)	–
Brendan O'Neill**	10(10)	4(4)	–	4(4)	–
Bill Shannon	9(10)	3(4)	7(7)	4(4)	–
John Warren	10(10)	4(4)	7(7)	4(4)	–

* Resigned 28 February 2007
** Resigned 31 December 2007

In the few instances when a director was not able to attend Board or committee meetings, his comments on the papers to be considered at that meeting were relayed in advance to the relevant chairman.

The executive committee
The executive committee is not a committee of the Board. Its role is to assist the chief executive in fulfilling his responsibilities for directing and promoting the profitable operation and development of the Group, consistent with the primary objective of creating long-term shareholder value. The names of its current members, and the positions that they hold within the Company, are set out on page 29.

Accountability and audit
The process by which the Board applies the principles of accountability and audit is set out below; a statement of the directors' responsibilities in relation to the financial statements is given on page 39.

Relations with shareholders
The Company maintains an active dialogue with its institutional shareholders and city analysts through a planned programme of investor relations, and regular meetings are held with principal shareholders. The outcome of these meetings is reported to the whole Board to ensure it keeps in touch with shareholder opinion. The programme includes formal presentations of the interim and the full year results.

All shareholders are welcome to attend the Annual General Meeting and private investors are encouraged to take advantage of the opportunity given to ask questions. The chairmen of the Audit, Remuneration and Nominations Committees attend the meeting and are available to answer questions, as appropriate. A summary presentation of the Company's results and development plans is given by the chief executive at the Annual General Meeting prior to the commencement of the formal business of that meeting.

Compliance with the Code provisions
Save in respect of the length of the contractual notice period of the newly-appointed chief executive, which did not reduce from 24 months to 12 months until 6 March 2007, the Company has, throughout the year, complied fully with the provisions of the Code.

Risk management and internal control
The Board maintained the procedures necessary to comply with the requirements of the existing code relating to internal control as described in the October 2005 publication entitled 'Internal Control: Revised Guidance for Directors on the Combined Code' (Turnbull Report). In relation to Code provision C.2.1, the Board reports below on the procedures that have been applied in reviewing the effectiveness of the system of internal control.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. The process has been in place throughout the year and up to the date of approval of the Annual Report and financial statements. It is regularly reviewed by the Board and accords with the guidance set out in the Turnbull Report.

The directors acknowledge that they are responsible for the Group's system of internal control, for setting policy on internal control and for reviewing the effectiveness of internal control. The role of management is to implement Board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Considerable importance is placed on maintaining a strong control environment. In particular, there is a simple organisational structure with clearly drawn lines of accountability and delegation of authority; adherence to specified codes of conduct is required at all times and the Board actively promotes a culture of quality and integrity.

A risk assessment process was established in 2006 which is designed to identify the key strategic, operational, financial and compliance risks that the business faces. It includes an analysis of the likelihood and impact for each of the risks identified. For the key risks, action plans have been developed and are monitored as part of management's procedures.

As part of the risk management process, the Audit Committee and the Board is provided with a report detailing significant risks facing the Group. In order to further develop a full risk assessment for the Group, an executive workshop identified strategic, operational, compliance and financial issues faced by the business and ranked the key issues based on their impact and likelihood.

The Group has an internal audit function that reports to the company secretary which is, additionally, supported by Ernst and Young LLP. Detailed control procedures exist throughout the operations of the Group and compliance is monitored by management, internal auditors and, to the extent they consider necessary to support their audit report, the external auditors. Additionally, a separate compliance function monitors day-to-day adherence to the provisions of the Gambling Act and other licensing obligations.

The Audit Committee has reviewed the effectiveness of the system of internal control during the year ended 31 December 2007. This has included consideration of the Group-wide risk assessment and the results of self-certification of internal control exercises undertaken throughout the Group. The Audit Committee has also considered reports from the external auditors.

During the year, reports were submitted to the Committee from the internal audit team summarising the work planned and undertaken, recommending improvements and describing the actions taken by management. The risk assessment process and the risk-driven annual internal audit plan were also presented for approval by the Audit Committee.

The Audit Committee has reported the results of its work to the Board. The Board has considered these reports when undertaking its review of the effectiveness of the Group's system of internal control.

Other statutory information

Share capital

In March 2007 the Company's Ordinary 10p shares were sub-divided and consolidated into Ordinary 13 8/9p shares. In conjunction with the special dividend payment disclosed in note 9 to the financial statements, shareholders received 18 new Rank shares for every 25 existing Rank shares held on 23 March 2007. Apart from having a different nominal value, each new Ordinary 13 8/9p share carries the same rights as were set out in the Articles of Association for each existing Ordinary 10p share prior to the share consolidation taking place.

Details of the Ordinary shares allotted and issued pursuant to the exercise of options under Rank's share option schemes are set out in note 33 to the financial statements.

A resolution will be proposed at the Annual General Meeting to authorise the directors to allot and grant rights over the unissued share capital and to authorise the directors to allot and grant rights over Ordinary shares for cash up to a maximum nominal amount representing 5% of the issued Ordinary share capital, without first making a pro rata offer to all existing Ordinary shareholders.

A special resolution will also be proposed at the Annual General Meeting to authorise the Company to purchase up to 15% of its Ordinary shares at or between the minimum and maximum prices specified in the resolution set out in the notice of meeting. The authority would only be exercised by the directors if they considered it to be in the best interests of shareholders generally and if the purchase could be expected to result in an increase in earnings per share. The Company funded the purchase of £2.1m of its own Ordinary shares by the Rank Group Employee Benefit Trust, which will use them to satisfy the future vesting of awards made under the Company's share schemes.

In 2006 the Company filed a Form 15 with the SEC in order to terminate its registration and thereby suspend its reporting and other applicable US obligations, including compliance with the Sarbanes-Oxley Act. In September 2007 the Company filed a further Form 15 in the USA in order to terminate permanently its SEC periodic reporting obligations such that there should no longer be a need to invoke any compulsory transfer and disposal requirements for US holders of the Company's shares in the future.

Payment of suppliers

The Company and its subsidiaries agree terms and conditions for their business transactions with their suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. The Company has no trade creditors.

Significant shareholdings

At the date of this report, the following interests of 3% or more of the total voting rights attached to the Ordinary shares have been notified to the Company in accordance with the Financial Services Authority's Disclosure and Transparency Rules:

	Voting rights	% held	Date notified
ABN Amro Bank N.V.	11,784,009	3.02	06/11/07
Aviva plc	15,350,633	3.93	20/07/07
Barclays PLC	20,721,664	3.82	19/12/06
BT Pension Scheme	48,368,332	12.39	30/07/07
– Hermes UK Focus Fund*	27,505,447	7.04	30/07/07
– Devon County Council*	16,442,066	3.04	24/11/06
Fidelity International Ltd	34,488,035	6.36	21/03/07
Genting Berhad	43,092,136	11.03	07/02/08
The Goldman Sachs Group, Inc.	24,082,810	6.17	12/02/08
Hong Leong Co. (Malaysia) Berhad	23,621,020	6.05	06/02/08
Legal & General Group plc	15,698,452	4.01	07/11/07
Prudential plc	41,332,391	7.62	24/01/07
Schroders plc	19,414,982	4.97	05/10/07
Sun Life Assurance Company of Canada (UK) Ltd	12,320,708	3.15	23/11/07

* Hermes is associated with the BT Pension Scheme and the Devon County Council is associated with Hermes

Charitable and political donations

Charitable donations made or committed in the UK during the year amounted to £236,000 (2006: £244,000). The largest single commitment was £220,000 (2006: £220,000) in favour of Responsibility in Gambling Trust. The Group made no political donations during the year.

Annual General Meeting

The 2008 Annual General Meeting will be held on 7 May and the full text of the notice of the meeting, together with explanatory notes, is set out in a separate document which, for shareholders, is enclosed with this Report.

Auditors

The auditors, PricewaterhouseCoopers LLP, are willing to continue in office and a resolution that they be re-appointed at a remuneration to be agreed by the directors will be proposed at the Annual General Meeting.

So far as the directors are aware, there is no relevant audit information of which the auditors are unaware. Each director has taken all of the steps that he thought should have been taken to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Pamela Coles
Company Secretary

28 February 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, the remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the directors are required to;

– select suitable accounting policies and then apply them consistently;

– make judgements and estimates that are reasonable and prudent;

– state that the financial statements comply with IFRS as adopted by the European Union; and

– prepare the financial statements for both the Company and the Group on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of Rank's corporate website, on which this Annual Report and financial statements will be published. In relation to this, the directors would like to draw attention to the fact that legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' report to the members of The Rank Group Plc

We have audited the Group and parent company financial statements (the "financial statements") of The Rank Group Plc for the year ended 31 December 2007 which comprise the Group income statement, the Group and Company balance sheets, the Group and Company cash flow statements, the Group statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report, the directors' report, remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, which includes the unaudited part of the directors' remuneration report, the business review and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion
In our opinion:

– the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended;

– the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007 and cash flows for the year then ended;

– the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and

– the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and registered auditors
London

28 February 2008

Group income statement

for the year ended 31 December 2007

		2007			2006 (restated)*		
	Note	**Before exceptional items £m**	**Exceptional items (note 4) £m**	**Total £m**	Before exceptional items £m	Exceptional items (note 4) £m	Total £m
Continuing operations							
Revenue	2	**534.4**	**–**	**534.4**	549.6	–	549.6
Cost of sales		**(283.9)**	**–**	**(283.9)**	(282.5)	–	(282.5)
Gross profit		**250.5**	**–**	**250.5**	267.1	–	267.1
Other operating (costs) income	3	**(182.2)**	**(45.2)**	**(227.4)**	(193.9)	53.7	(140.2)
Group operating profit (loss)	2	**68.3**	**(45.2)**	**23.1**	73.2	53.7	126.9
Financing:							
– finance costs		**(27.4)**	**–**	**(27.4)**	(36.2)	(14.7)	(50.9)
– finance income		**5.3**	**–**	**5.3**	3.2	–	3.2
– amortisation of equity component of convertible bond		**(3.6)**	**–**	**(3.6)**	(3.0)	–	(3.0)
– unwinding of discount in disposal provisions		**(1.3)**	**–**	**(1.3)**	–	–	–
– net return on defined benefit pension asset		**10.5**	**–**	**10.5**	6.7	–	6.7
– other financial gains (losses)		**0.5**	**–**	**0.5**	10.0	–	10.0
Total net financing charge	5	**(16.0)**	**–**	**(16.0)**	(19.3)	(14.7)	(34.0)
Profit (loss) before taxation	3	**52.3**	**(45.2)**	**7.1**	53.9	39.0	92.9
Taxation	6	**(20.7)**	**8.3**	**(12.4)**	(4.6)	26.2	21.6
(Loss) profit for the year from continuing operations		**31.6**	**(36.9)**	**(5.3)**	49.3	65.2	114.5
Discontinued operations	7	**1.4**	**315.4**	**316.8**	21.5	(17.0)	4.5
Profit for the year		**33.0**	**278.5**	**311.5**	70.8	48.2	119.0
Profit attributable to equity shareholders	26	**33.0**	**278.5**	**311.5**	69.0	48.2	117.2
Profit attributable to minority interest	27	**–**	**–**	**–**	1.8	–	1.8
		33.0	**278.5**	**311.5**	70.8	48.2	119.0
Earnings per share attributable to equity shareholders							
– basic	10	**7.7p**	**64.7p**	**72.4p**	11.8p	8.1p	19.9p
– diluted	10	**7.7p**	**64.7p**	**72.4p**	11.8p	8.1p	19.9p
Earnings (loss) per share – continuing operations							
– basic	10	**7.3p**	**(8.5)p**	**(1.2)p**	8.4p	11.1p	19.5p
– diluted	10	**7.3p**	**(8.5)p**	**(1.2)p**	8.4p	11.1p	19.5p
Earnings (loss) per share – discontinued operations							
– basic	10	**0.4p**	**73.2p**	**73.6p**	3.4p	(3.0)p	0.4p
– diluted	10	**0.4p**	**73.2p**	**73.6p**	3.4p	(3.0)p	0.4p

Details of dividends paid and payable to equity shareholders are disclosed in note 9.

The notes on pages 45 to 85 are an integral part of these consolidated financial statements.

* Details of the restatement to the 2006 comparatives are disclosed in note 39.

Balance sheets

at 31December 2007

	Note	Group 2007 £m	Group 2006 (restated)* £m	Company 2007 £m	Company 2006 £m
Assets					
Non-current assets					
Intangible assets	11	**179.0**	173.2	**–**	–
Property, plant and equipment	12	**179.2**	203.8	**–**	–
Investments	14	**0.1**	0.5	**1,343.6**	1,343.6
Defined benefit pension asset	34	**130.7**	75.8	**–**	–
Deferred tax assets	15	**13.5**	9.7	**–**	0.2
Trade and other receivables	17	**1.5**	8.4	**–**	–
		504.0	471.4	**1,343.6**	1,343.8
Current assets					
Financial assets					
– derivative financial instruments	22	**0.6**	9.5	**–**	–
– cash and cash equivalents	29	**72.1**	83.6	**0.3**	0.1
Inventories	16	**3.4**	4.3	**–**	–
Trade and other receivables	17	**29.9**	56.7	**43.6**	44.3
		106.0	154.1	**43.9**	44.4
Assets held for sale	7	**–**	242.0	**–**	–
		106.0	396.1	**43.9**	44.4
Total assets		**610.0**	867.5	**1,387.5**	1,388.2
Liabilities					
Current liabilities					
Financial liabilities					
– financial guarantees	20	**–**	–	**(1.3)**	(1.1)
– derivative financial instruments	20,22	**(2.5)**	(2.6)	**–**	–
– loan capital and borrowings	20,22	**(60.7)**	(10.8)	**(2.9)**	(2.7)
Trade and other payables	18	**(103.8)**	(125.2)	**(525.2)**	(133.3)
Current tax liabilities	19	**(5.4)**	(2.3)	**–**	–
Provisions for other liabilities and charges	24	**(20.4)**	(12.7)	**–**	(0.6)
		(192.8)	(153.6)	**(529.4)**	(137.7)
Liabilities held for sale	7	**–**	(44.5)	**–**	–
		(192.8)	(198.1)	**(529.4)**	(137.7)
Net current (liabilities) assets		**(86.8)**	198.0	**(485.5)**	(93.3)
Non-current liabilities					
Financial liabilities					
– derivative financial instruments	20,22	**–**	(1.6)	**–**	–
– loan capital and borrowings	20,22	**(331.0)**	(510.5)	**(163.1)**	(158.7)
Deferred tax liabilities	15	**(7.5)**	(7.7)	**–**	–
Other non-current liabilities	23	**(32.0)**	(32.9)	**–**	–
Provisions for other liabilities and charges	24	**(60.0)**	(41.4)	**–**	–
		(430.5)	(594.1)	**(163.1)**	(158.7)
Total liabilities		**(623.3)**	(792.2)	**(692.5)**	(296.4)
Net (liabilities) assets		**(13.3)**	75.3	**695.0**	1,091.8
Capital and reserves attributable to the Company's equity shareholders					
Ordinary shares	25	**54.2**	54.2	**54.2**	54.2
Share premium	26	**98.2**	98.1	**98.2**	98.1
Capital redemption reserve	26	**33.4**	33.4	**33.4**	33.4
Exchange translation reserve	26	**(0.3)**	(4.5)	**–**	–
Other reserves	26	**(198.8)**	(105.9)	**509.2**	906.1
Total shareholders' (deficit) equity		**(13.3)**	75.3	**695.0**	1,091.8
Minority interests	27	**–**	–	**–**	–
Total (deficit) equity		**(13.3)**	75.3	**695.0**	1,091.8

The notes on pages 45 to 85 are an integral part of these consolidated financial statements.
* Details of the restatement to the 2006 comparatives are disclosed in note 39.

These financial statements were approved by the Board on 28 February 2008 and signed on its behalf by:
Ian Burke, chief executive
Peter Gill, finance director

Group statement of recognised income and expense

for the year ended 31 December 2007

	Note	**2007 £m**	2006 £m
Profit for the year		**311.5**	119.0
Currency translation net of tax and hedging		**(4.4)**	(28.3)
Actuarial gain on defined benefit pension scheme net of tax	34	**17.4**	64.7
Adjustment in respect of deferred tax on pensions from 30% to 28%	6	**2.4**	–
Revaluation of available-for-sale securities		**(0.4)**	22.8
Revaluation of available-for-sale securities recycled within net profit	4	**(44.4)**	12.1
Cumulative foreign exchange losses recycled within net profit	4	**8.6**	–
Total recognised income for the year		**290.7**	190.3
– attributable to equity shareholders		**290.7**	188.5
– attributable to minority interest		**–**	1.8
		290.7	190.3

The notes on pages 45 to 85 are an integral part of these consolidated financial statements.

Cash flow statements

for the year ended 31 December 2007

	Note	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Cash flows from operating activities					
Cash generated from operations	28	**86.0**	70.3	**0.6**	(1.2)
Interest received		**5.8**	5.0	**–**	–
Interest paid		**(35.6)**	(63.2)	**(6.5)**	(10.2)
Tax paid		**(4.1)**	(3.9)	**–**	–
Additional pension payments		**(19.6)**	(50.0)	**–**	–
Discontinued operations		**(0.3)**	7.5	**–**	–
Net cash from (used in) operating activities		**32.2**	(34.3)	**(5.9)**	(11.4)
Cash flows from investing activities					
Proceeds from sale of businesses (net of cash disposed)	31	**496.2**	449.8	**–**	–
Acquisition of businesses		**(0.4)**	(0.6)	**–**	–
Purchase of intangible assets		**(4.2)**	(4.0)	**–**	–
Purchase of property, plant and equipment		**(43.1)**	(46.2)	**–**	–
Proceeds from sale of property, plant and equipment		**23.3**	10.1	**–**	–
Proceeds from sale and leaseback net of lease assignment		**6.1**	171.9	**–**	–
Proceeds from sale of investments		**–**	8.8	**–**	–
Discontinued operations		**(1.4)**	(21.8)	**–**	–
Net cash from investing activities		**476.5**	568.0	**–**	–
Cash flows from financing activities					
Net proceeds from issue of Ordinary share capital		**0.1**	5.2	**0.1**	5.2
Purchase of own shares		**(2.1)**	–	**(2.1)**	–
Dividends paid to shareholders – ordinary		**(23.4)**	(74.1)	**(23.4)**	(74.1)
Dividends paid to shareholders – special		**(352.5)**	–	**(352.5)**	–
Share buy-back		**–**	(201.4)	**–**	(201.4)
Debt due within one year					
– drawdown on syndicated facilities		**150.0**	–	**–**	–
Debt due after more than one year					
– repayment of Sterling borrowings		**–**	(35.0)	**–**	–
– repayment of Dollar borrowings		**–**	(219.1)	**–**	–
– drawdown on syndicated facilities		**–**	300.1	**–**	–
– repayment of syndicated facilities		**(285.2)**	(326.3)	**–**	–
– other		**(1.2)**	–	**–**	–
Finance lease principal payments		**(2.1)**	(1.6)	**–**	–
Amounts received from subsidiaries		**–**	–	**384.0**	281.0
Discontinued operations		**(0.1)**	(13.8)	**–**	–
Net cash (used in) from financing activities		**(516.5)**	(566.0)	**6.1**	10.7
Effects of exchange rate changes		**1.0**	(1.7)	**–**	–
Net (decrease) increase in cash and cash equivalents		**(6.8)**	(34.0)	**0.2**	(0.7)
Cash and cash equivalents at 1 January		**75.4**	109.4	**0.1**	0.8
Cash and cash equivalents at 31 December	29	**68.6**	75.4	**0.3**	0.1

Details of cash flows relating to discontinued operations are provided in note 7.

The notes on pages 45 to 85 are an integral part of these consolidated financial statements.

Notes to the financial statements

1 General information and accounting policies

The Rank Group Plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 87.

Statement of compliance

The Group financial statements have been prepared in accordance with EU endorsed International Accounting and Financial Reporting Standards ('IFRS') and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

A Basis of preparation of the financial statements

The financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investments, financial assets and liabilities held for trading, and non-current assets held for sale.

In adopting the going concern basis for preparing the financial statements the directors have considered the issues impacting the Group during 2007 as detailed in the Business review on pages 2 to 27 and have reviewed the Group's projected compliance with its banking covenants detailed in the Finance review on page 24. Based on the Group's cash flow forecasts and operating budgets, which take into account management's actions on capital expenditure, cost control and the suspension of the dividend and assuming that trading continues broadly in line with current expectations, the directors believe that the Group will generate sufficient cash to meet its borrowing requirements for the next 12 months and comply with its banking covenants.

A summary of the Group's significant accounting policies is set out below. Except where noted below, these policies have been consistently applied.

(a) Amendments to published standards effective in 2007

– IFRS 7, Financial Instruments Disclosure;

– IAS 1 (Amendment), Capital Disclosures;

IFRS 7, and the complementary amendment to IAS 1, introduce new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments.

(b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007, but they are not material or relevant to the Group's operations:

– IFRIC 7, Applying the restatement approach under IAS 29 Financial Reporting in hyperinflationary economies;

– IFRIC 8, Scope of IFRS 2;

– IFIRC 9, Re-assessment of embedded derivatives; and

– IFRIC 10, Interim Financial Reporting and Impairment.

(c) Voluntary changes in accounting policies

In 2007 The Rank Group Plc changed its accounting policies for exceptional items and the net return on its defined benefit pension asset. The Group has adjusted comparative amounts disclosed for the prior period presented as if the new accounting policies had always been applied (see note 39).

(i) Exceptional items

The Group now defines exceptional items as those items which, by their size or nature, are separately disclosed in order to give a full understanding of the Group's financial performance and aid comparability of the Group's result between periods. This would include, to the extent they are material, gains or losses on the disposal of property, impairments of the carrying value of clubs and associated onerous lease provisions, costs of club closures, onerous lease provisions on vacant properties and disposal of businesses.

Previously the Group defined exceptional items as those non-recurring items which by their nature or size would distort the comparability of the Group's result from year to year. The impact of the policy change is to reclassify certain costs from operating items to exceptional in relation to impairments and profits on disposal of Mecca Bingo clubs in 2006.

(ii) Net return on the defined benefit pension asset

The Group has also reviewed its policy in relation to the classification within the income statement of the net return arising on its defined benefit pension asset. To improve comparability of the results and in accordance with accounting best practice, the Group has decided to reclassify the net return arising on the defined benefit pension asset from operating profit to net financing costs.

(d) Critical accounting estimates and judgements

The preparation of financial information, in conformity with IFRS, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out below. The best estimates of the directors may differ from the actual results.

	Note
Categorisation of items as exceptional	1W, 4
Assets and liabilities carried at fair value	1G
Hedge accounting	1G
Retirement benefits	1M, 34
Assets and liabilities held for sale	1U
Carrying value of assets and potential impairments	1L, 13
Estimated economic lives and residual values	1J, 1K
Recoverability of deferred tax assets	1O, 15

B Consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. All subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Notes to the financial statements continued

1 General information and accounting policies continued
The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies as applied to subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and joint ventures (discontinued operations)
Joint ventures are all entities over which the Group exercises joint control. Associates are all entities over which the Group exercises significant influence but not control. Investments in joint ventures and associates are accounted for by the equity method of accounting and are initially recognised at cost, in accordance with the alternative treatment allowed by IAS 31 and IAS 28. The Group's investment in joint ventures includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Group's share of its associates' and joint ventures' post-acquisition profits or losses after tax is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses after tax in an associate or joint venture equals or exceeds its interest or participation, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest or participation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies as applied to associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

C Revenue recognition
Revenue consists of the fair value of sales of goods and services, net of value added tax, contract advance amortisation, rebates and discounts.

(a) Gaming win
Revenue for casinos includes the gaming win before deduction of gaming duty. Revenue for bingo is net of prizes and value added tax before deduction of gross profits tax. Revenue for Blue Square, including sports betting and on-line casinos, represents gross win margin. Although disclosed as revenue, gaming win is accounted for and meets the definition of a gain under IAS 39 Financial instruments: Recognition and measurement.

(b) Sale of goods (discontinued operations only)
Revenue from the sale of goods is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which may be upon shipment or upon completion of the product and the product being ready for delivery, based on the specific contract terms.

(c) Rendering of services (discontinued operations only)
Revenue from services is recognised in the accounting year the services have been rendered, by reference to the stage of completion of the transaction at the balance sheet date.

(d) Sale of recovered materials (discontinued operations only)
Recovered products are deemed to have an immaterial realisable value compared with the cost of production materials. Income from the sale of recovered materials is not recognised as such, being offset against the materials cost.

(e) Finance income
Interest income is recognised on a time proportion basis using the effective interest method.

D Segmental reporting
Management has identified business segments as its primary reporting segments. A business segment is defined as a group of assets and operations engaged in providing products and services that are subject to risks and returns different from those of the other business segments.

Management has identified geographical segments as its secondary reporting segments. A geographical segment is engaged in providing products and services in a particular economic environment, that are subject to risks and returns different from those of a segment operating in other economic environments.

Segment assets and liabilities are the result of segment operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment revenue is revenue from operating activities directly attributable to a segment from sales to external customers.

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers.

E Foreign currency translation
(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in UK Sterling, which is the Company's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in finance costs, except when deferred in equity where hedging criteria are met.

(c) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. The closing US Dollar rate against Sterling was 1.99 (2006: 1.96) and the closing Euro rate against Sterling was 1.36 (2006: 1.48);

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). The average US Dollar rate against Sterling in the year was 2.01 (2006: 1.84) and the average Euro rate against Sterling was 1.46 (2006: 1.47); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement net of hedging as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

F Financial assets
The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

(b) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Securities are initially recognised at fair value plus transaction costs. Subsequent changes in the fair value are recognised in equity. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Impairment testing of trade receivables is described in note 1Q.

G Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(i) hedges of the fair value of recognised liabilities (fair value hedge);

(ii) hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge); or

(iii) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 22.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to both the effective and ineffective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance costs.

Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within finance costs.

Notes to the financial statements continued

1 General information and accounting policies continued
If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within operating costs.

(iii) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed.

(iv) Derivatives at fair value through profit or loss
Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within finance costs.

H Leases
Leases are tested to determine whether the lease is a finance or operating lease and treated accordingly. Property leases comprising a lease of land and a lease of buildings within a single contract are split into its two component parts before testing.

(a) Finance leases
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in loan capital and borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

(b) Operating leases
Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of lease incentives or premiums, are charged to the income statement on a straight line basis over the period of the lease.

I Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(a) Onerous contracts
The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous.

(b) Provision on disposal
Following the disposal of an operation, provision is made for the estimated future costs and potential warranty claims directly attributable to the disposal.

J Property, plant and equipment
All property, plant and equipment is stated at historical cost less depreciation and any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost less their residual values over their estimated useful lives, as follows:

– freehold and leasehold property 50 years or their useful life if less;

– refurbishment of property 3 to 15 years;

– fixtures, fittings, plant and equipment and others 3 to 20 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Pre-opening costs are expensed to the income statement as incurred.

The Group does not capitalise interest.

K Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, joint venture or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of joint ventures is included in investments in joint ventures. Goodwill is tested annually for impairment and carried at amortised cost as at 1 January 2004 plus cost for any acquisition completed after 1 January 2004 less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, except where goodwill has been previously written off directly to reserves under previous GAAP.

Goodwill is allocated to the relevant cash-generating unit or group of cash-generating units for the purpose of impairment testing. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Goodwill arising on acquisitions made before 31 December 1997 has been written off directly to reserves.

(b) Computer software and other development costs

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (3 to 5 years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production and development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets for both externally purchased and internally developed software. Direct costs include specific employee costs for software development.

Computer software development costs recognised as assets are amortised over their estimated useful lives, estimated at between 2 to 5 years.

(c) Casino and other gaming licences

The Group capitalises acquired casino and other gaming licences. The amount capitalised is the difference between the price paid for a property or business and the associated licence and the fair value of a similar property or business without a licence. Management believes that licences have indefinite lives as there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and each licence holds a value outside the property in which it resides. Each licence is reviewed annually for impairment.

Any costs incurred to obtain a 'cold' casino licence or renewing casino licences annually are expensed as incurred, except for the cost of the licence at acquisition.

(d) Other purchased intangible assets

If acquired, the Group capitalises the costs of other intangible assets such as brands, trademarks and customer relationships. Costs incurred to internally generate these intangible assets are expensed as incurred. For business combinations occurring after 1 January 2004, purchased intangible assets are capitalised on the balance sheet at fair value on acquisition. The valuation of purchased intangible assets and determining the useful economic life involves management making assumptions and estimates, which are highly judgemental and susceptible to change. Purchased intangible assets with finite lives are amortised over their useful economic lives, estimated at between 2 to 9 years.

L Impairment of intangible assets and property, plant and equipment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The expected cash flows generated by the assets are discounted using appropriate discount rates, which reflect the risks associated with the groups of assets.

If an impairment loss is recognised, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as income in the income statement immediately, unless the relevant asset is carried at a revalued amount.

M Employee benefit costs

(a) Pension obligations

The Group has both defined benefit and defined contribution plans. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The amount recognised in the balance sheet in respect of the defined benefit pension plan is the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit asset is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The Group recognises actuarial gains and losses immediately in the statement of recognised income and expense.

Notes to the financial statements continued

1 General information and accounting policies continued
Past-service costs are recognised immediately in operating profit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight line basis over the vesting period.

The net return or cost arising on the defined benefit pension plan is recognised in net finance costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation
The Group operates various equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(d) Bonus plans
The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit and cash flows attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Holiday pay
The Group recognises an appropriate liability for the cost of holiday entitlements not taken at the balance sheet date.

N Inventories
Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a 'first-in first-out' basis.

The cost of finished goods comprises raw material, direct labour, other direct costs and related production overhead (based on normal operating capacity) but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. When necessary, provision is made for obsolete and slow-moving inventories.

O Taxation including deferred tax
Current tax is applied to taxable profits at the rates ruling in the relevant country.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

P Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within loan capital and borrowings in current liabilities on the balance sheet.

Q Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs in the income statement.

R Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

S Borrowings
Borrowings are recognised at cost, which is deemed to be materially the same as the fair value, net of transaction costs incurred. Any difference between proceeds and redemption value is recognised in the income statement using the effective interest method.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months at the balance sheet date.

The fair value of the liability portion of the convertible bond was determined on the date of issue. This amount is recorded as a liability and is held on an amortised cost basis until such time as it is extinguished on conversion or the maturity of the bonds. The remaining proceeds have been allocated to the conversion option and are recognised in shareholders' funds. This results in a higher interest cost over the life of the bond as an equal and opposite amount to the equity component is amortised through the income statement as a financing cost.

T Share capital
Ordinary shares are classified as equity.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

U Discontinued operations and non-current assets held for sale
Operations of the Group are recognised as discontinued operations if the operations have been disposed of or meet the criteria to be classified as held for sale. Operations held for sale are held at the lower of their carrying amount on the dates they are classified as held for sale and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

V Dividends
Dividends proposed by the Board of directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting. Interim dividends are recognised when paid.

W Exceptional items
The Group defines exceptional items as those items which, by their size or nature, are separately disclosed in order to give a full understanding of the Group's financial performance and aid comparability of the Group's result between periods. This would include, to the extent they are material, gains or losses on the disposal of property, impairments of the carrying value of clubs and associated onerous lease provisions, costs of club closures, onerous lease provisions on vacant properties and disposal of businesses.

X New standards and interpretations not applied
The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

	Effective date*
IFRS 3, Business Combinations (Revised)	1 July 2009
IFRS 8, Operating Segments	1 January 2009
IAS 23, Borrowing Costs (Revised)	1 January 2009
IFRIC 11, IFRS2 Group and Treasury Share Transactions	1 March 2007
IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	1 January 2008

* For annual periods beginning on or after

In addition, IFRIC have issued the following standards and interpretations that are not applicable to The Rank Group Plc:

IFRIC 12, Service Concession Arrangements
IFRIC 13, Customer Loyalty Schemes

The directors do not anticipate that the adoption of the above standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Notes to the financial statements continued

2 Segmental reporting
Primary reporting format – business segments

	Mecca Bingo		Top Rank España	
	2007 £m	2006 (restated)* £m	**2007 £m**	2006 (restated)* £m
Continuing operations				
Segment revenue	**240.5**	261.7	**32.3**	31.1
Operating profit (loss) before exceptional items	**43.6**	63.6	**9.3**	8.9
Exceptional operating profit (costs)	**(27.6)**	35.2	**–**	–
Segment result	**16.0**	98.8	**9.3**	8.9
Finance costs				
Finance income				
Amortisation of equity component of convertible bond				
Unwinding of discount in disposal provisions				
Net return on defined benefit pension asset				
Other financial gains (losses)				
Profit before taxation				
Taxation				
(Loss) profit for the year from continuing operations				
Assets and liabilities				
Intangible assets:				
Intangible assets with indefinite useful lives	**–**	–	**23.7**	22.2
Intangible assets with finite useful lives	**0.5**	0.6	**–**	–
Property, plant and equipment	**83.2**	106.2	**26.4**	21.2
Financial assets – investments	**–**	–	**–**	–
Other segment assets	**14.8**	15.6	**2.0**	1.9
Total segment assets	**98.5**	122.4	**52.1**	45.3
Unallocated assets				
Total assets – continuing operations				
Assets of disposal group held for sale (see note 7)				
Total assets				
Total segment liabilities	**(50.9)**	(38.1)	**(5.4)**	(7.1)
Unallocated liabilities				
Total liabilities – continuing operations				
Liabilities of disposal group held for sale (see note 7)				
Total liabilities				
Net (liabilities) assets				
Other segment items – continuing operations				
Capital expenditure	**(19.8)**	(16.3)	**(4.5)**	(5.5)
Depreciation and amortisation	**12.4**	12.9	**2.0**	1.8
Impairment losses	**25.7**	8.6	**–**	–

At 31 December 2007, the Group's continuing operations are organised into six main business segments; Mecca Bingo, Top Rank España, Grosvenor Casinos, Blue Square, Gaming shared services and Other (includes primarily central costs and expenses relating to non-trading properties). The activities of the segments are described on page 2 of the Business review. Segmental information for discontinued operations is disclosed in note 7.

Segment assets include property, plant and equipment, intangible assets, investments, inventories and trade and other receivables. Segment liabilities comprise current and non-current trade and other payables and provisions. Unallocated assets and liabilities comprise taxation, corporate borrowings, derivative financial instruments, cash and cash equivalents and retirement benefits. Intangible assets with indefinite useful lives include £53.8m of goodwill relating to Blue Square.

There are immaterial sales between the business segments.

Capital expenditure comprises additions to property, plant and equipment and other intangible assets.

* Details of the restatement to the 2006 comparatives are disclosed in note 39.

	Grosvenor Casinos		Blue Square		Gaming shared services		Other		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
		(restated)*		(restated)*		(restated)*		(restated)*		(restated)*
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
	209.5	217.6	**52.1**	39.2	**–**	–	**–**	–	**534.4**	549.6
	29.9	36.3	**10.9**	7.8	**(18.5)**	(26.0)	**(6.9)**	(17.4)	**68.3**	73.2
	(10.7)	37.3	**–**	–	**–**	(6.7)	**(6.9)**	(12.1)	**(45.2)**	53.7
	19.2	73.6	**10.9**	7.8	**(18.5)**	(32.7)	**(13.8)**	(29.5)	**23.1**	126.9
									(27.4)	(50.9)
									5.3	3.2
									(3.6)	(3.0)
									(1.3)	–
									10.5	6.7
									0.5	10.0
									7.1	92.9
									(12.4)	21.6
									(5.3)	114.5
	92.2	88.5	**53.8**	53.8	**–**	–	**–**	–	**169.7**	164.5
	0.3	0.3	**7.2**	6.3	**1.3**	1.5	**–**	–	**9.3**	8.7
	66.4	73.3	**1.6**	1.5	**1.6**	1.5	**–**	0.1	**179.2**	203.8
	–	–	**–**	–	**–**	–	**0.1**	0.5	**0.1**	0.5
	8.0	8.7	**2.0**	1.2	**0.9**	0.6	**7.1**	41.4	**34.8**	69.4
	166.9	170.8	**64.6**	62.8	**3.8**	3.6	**7.2**	42.0	**393.1**	446.9
									216.9	178.6
									610.0	625.5
									–	242.0
									610.0	867.5
	(35.5)	(29.1)	**(13.6)**	(10.3)	**(4.2)**	(4.6)	**(75.1)**	(91.5)	**(184.7)**	(180.7)
									(438.6)	(567.0)
									(623.3)	(747.7)
									–	(44.5)
									(623.3)	(792.2)
									(13.3)	75.3
	(17.1)	(24.4)	**(4.5)**	(2.8)	**(1.4)**	(1.1)	**–**	(0.1)	**(47.3)**	(50.2)
	9.5	9.4	**3.2**	3.3	**1.4**	1.4	**–**	0.1	**28.5**	28.9
	8.2	–	**–**	1.2	**–**	–	**–**	–	**33.9**	9.8

Notes to the financial statements continued

2 Segmental reporting continued

Total revenue and profit (loss) from continuing and discontinued operations

	Revenue		(Loss) profit for the year	
	2007 £m	2006 £m	**2007 £m**	2006 £m
From continuing operations	**534.4**	549.6	**(5.3)**	114.5
From discontinued operations (see note 7)	**35.6**	488.5	**316.8**	4.5
	570.0	1,038.1	**311.5**	119.0

Secondary reporting format – geographical segments

Following the sale of Hard Rock, the Group's business segments operate in two main geographical areas (UK and Europe). The home country of the Company is the UK. The areas of operations are principally the operation of bingo clubs, casinos and on-line gaming and bookmaking services.

Year ended 31 December 2007	**UK £m**	**Europe £m**	**North America £m**	**Rest of the World £m**	**Total £m**
Total revenue	**492.6**	**51.4**	**24.4**	**1.6**	**570.0**
Less sales attributable to discontinued operations (see note 7)	**(3.6)**	**(6.0)**	**(24.4)**	**(1.6)**	**(35.6)**
Segment revenue from continuing operations	**489.0**	**45.4**	**–**	**–**	**534.4**
Other segment information					
Segment assets	**317.8**	**72.2**	**3.1**	**–**	**393.1**
Unallocated assets					**216.9**
Total assets					**610.0**
Capital expenditure relating to continuing operations	**(42.0)**	**(5.3)**	**–**	**–**	**(47.3)**

Year ended 31 December 2006	UK £m	Europe £m	North America £m	Rest of the World £m	Total £m
Total revenue	564.0	138.8	329.9	5.4	1,038.1
Less sales attributable to discontinued operations (see note 7)	(58.7)	(94.5)	(329.9)	(5.4)	(488.5)
Segment revenue from continuing operations	505.3	44.3	–	–	549.6
Other segment information					
Segment assets (restated)	359.2	61.3	26.4	–	446.9
Unallocated assets (restated)					178.6
Total assets – continuing operations					625.5
Assets of disposal groups held for sale (see note 7)					242.0
Total assets					867.5
Capital expenditure relating to continuing operations	(44.0)	(6.2)	–	–	(50.2)

With the exception of the UK, Spain and USA (2006 only) no individual country contributed more than 10% of consolidated sales or assets.

Segmental revenue by destination is not materially different from revenue by origin.

3 Profit for the year

The following items have been charged (credited) in arriving at profit for the year from continuing operations:

	2007 £m	2006 (restated)* £m
Employee benefits expense (see note 32)	**156.5**	170.0
Cost of inventories recognised as expense	**21.4**	22.7
Depreciation of property, plant and equipment		
– owned assets (including £21.6m (2006: £21.7m) within cost of sales)	**23.8**	24.3
– under finance leases (included within cost of sales)	**1.1**	1.1
Amortisation of intangibles (including £0.5m (2006: £0.4m) within cost of sales)	**3.6**	3.5
Operating lease rentals payable		
– minimum lease payments	**40.8**	34.5
– sub-lease income	**(6.6)**	(8.4)
Profit on sale of property, plant and equipment	**(0.1)**	(0.2)
Exceptional items (see note 4)	**45.2**	(53.7)
Auditors' remuneration for audit services	**0.7**	1.0

* The employee benefit expense has been restated for the reclassification of the net return on the pension asset to financing.

In the year the Group's auditors, PricewaterhouseCoopers LLP, including its network firms, earned the following fees:

	2007 £m	2006 £m
Audit services		
– Fees payable to Company's auditor for the parent company and consolidated financial statements	**0.3**	0.4
Other services		
Fees payable to the Company's auditor and its associates for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	**0.4**	0.6
– services relating to corporate finance transactions	**0.1**	2.5
– tax services	**0.2**	0.2
– other services	**0.1**	0.1
	1.1	3.8

£69,000 (2006: £68,000) of the audit fees related to the parent company.

It is the Group's policy to employ PricewaterhouseCoopers LLP on assignments additional to their statutory audit duties where their expertise and experience with the Group are important, principally in the areas of transaction services, stock exchange transactions and tax advice. The Group's policy is, where appropriate, that work is put out to competitive tender. The Audit Committee monitors the relationship with PricewaterhouseCoopers LLP, including the level of non-audit fees.

4 Exceptional items

	Note	2007 £m	2006 (restated) £m
Exceptional items relating to continuing operations			
Impairment of clubs		**(33.9)**	(8.6)
Provision for onerous leases		**(27.7)**	–
Net profit on sale of property less associated closure costs		**16.4**	19.1
Profit on sale and leaseback transaction		**–**	55.3
Loss on sale of investment		**–**	(12.1)
Exceptional items before financing and taxation relating to continuing operations		**(45.2)**	53.7
Financing charge		**–**	(14.7)
Taxation	6	**8.3**	26.2
Exceptional items relating to continuing operations		**(36.9)**	65.2
Exceptional items relating to discontinued operations			
Hard Rock		**352.7**	–
US Holidays		**–**	(20.0)
Financing charge		**(9.9)**	–
Taxation	6	**(27.4)**	3.0
Exceptional items relating to discontinued operations		**315.4**	(17.0)
Total exceptional items		**278.5**	48.2

The Group's definition of exceptional items is disclosed in note 1W.

Notes to the financial statements continued

4 Exceptional items continued
2007 exceptional items
Continuing operations
Following the introduction of the smoking ban in England and Wales, the loss of Section 21 machine income and the unexpected rise in Casino Duty, an impairment charge of £33.9m and associated onerous lease provisions of £20.8m have been recognised during the year. Further details of the impairment are included in note 13.

During the year the Group closed 11 Mecca Bingo clubs and one Grosvenor casino. The resulting profit on sale of certain of the properties, net of associated closure and disposal costs, was £16.4m.

The Group has a limited number of onerous leases at sites no longer used by the operating businesses. The provision on these sites has been increased by £6.9m as a result of lower sub-let income and increased running costs.

Discontinued operations
The Group completed the sale of Hard Rock on 5 March 2007 resulting in an exceptional profit of £352.7m before related financing and taxation costs of £37.3m. The exceptional financing charge relates to the costs associated with the currency option taken to hedge the receipt of the US Dollar proceeds and the write off of prepaid facility fees. Due to favourable movements in the exchange rate the currency option hedge was not utilised. The profit arising includes cumulative foreign exchange losses of £8.6m and fair value gains of £44.4m in relation to available-for-sale securities. These gains and losses had previously been recognised in equity. Further details of the exceptional profit on disposal are contained in note 31.

2006 exceptional items
Continuing operations
During 2006, the Group completed a sale and leaseback and exit of surplus properties, for net proceeds of £171.9m. The exceptional profit arising was £55.3m.

During 2006, the Group disposed of one Mecca Bingo club and the Clermont Casino for combined proceeds of £38.0m. The exceptional profit arising on the disposals was £19.1m.

The Group incurred an exceptional loss of £12.1m on the disposal of its investment in Universal Studios Japan. This loss had been previously recognised in reserves and was recycled in net profit on its realisation.

The Group recognised an impairment charge of £8.6m against the carrying value of certain Mecca Bingo clubs.

During the year, the Group incurred a £14.7m exceptional financing charge on the early repayment of the US private placement, as a consequence of the refinancing following the sale of its Deluxe businesses.

Discontinued operations
On 15 December 2006 the Group disposed of its US Holidays business for proceeds equivalent to £16.8m. The exceptional loss arising on disposal was £20.0m.

5 Financing

	2007 **£m**	2006 (restated) £m
Continuing operations:		
Finance costs:		
Interest payable on bank borrowings (current and non-current)	**(2.6)**	(3.0)
Amortisation of issue costs of bank loan	**(1.6)**	(1.8)
Interest payable on other loans	**(21.8)**	(29.3)
Interest payable on finance leases	**(1.1)**	(1.3)
Unwinding of discounts in provisions	**(0.3)**	(0.8)
Total interest expense and similar charges	**(27.4)**	(36.2)
Finance income	**5.3**	3.2
	(22.1)	(33.0)
Amortisation of equity component of convertible bond	**(3.6)**	(3.0)
Unwinding of discount in disposal provisions	**(1.3)**	–
Net return on defined benefit pension asset	**10.5**	6.7
Other financial gains (losses)	**0.5**	10.0
Total net financing cost for continuing operations before exceptional items	**(16.0)**	(19.3)
Exceptional financing costs (see note 4)	**–**	(14.7)
Total net financing cost for continuing operations	**(16.0)**	(34.0)

6 Taxation

	2007 £m	2006 (restated) £m
Current income tax on continuing operations		
Current tax – UK	**(22.7)**	0.3
Current tax – overseas	**(5.2)**	(5.6)
Current tax charge	**(27.9)**	(5.3)
Current tax on exceptional items	**8.3**	9.7
Amounts (under) over provided in previous year	**(6.0)**	2.2
Total current tax	**(25.6)**	6.6
Deferred tax on continuing operations		
Deferred tax – UK	**10.5**	0.7
Deferred tax – overseas	**0.4**	1.4
Deferred tax on exceptional items	**–**	16.5
Restatement of deferred tax from 30% to 28%	**(3.4)**	–
Amounts over (under) provided in previous year	**5.7**	(3.6)
Total deferred tax	**13.2**	15.0
Tax (charge) credit in the income statement on continuing operations	**(12.4)**	21.6

In 2007 current tax on exceptional items within continuing operations includes a tax credit of £8.3m relating to the £27.7m onerous lease charge.

In 2006 current tax on exceptional items within continuing operations included a tax credit of £4.4m relating to exceptional financing costs, a tax credit of £4.3m relating to transferred lease liabilities in respect of surplus properties and a £1.0m tax credit relating to the impairment charge.

In 2006 deferred tax on exceptional items included a tax credit of £11.4m which relates to the sale and leaseback of properties and £5.1m on the sale of the Clermont Club licence during the year. The credits arose due to previously unrecognised losses.

	2007 £m	2006 £m
Current income tax on discontinued operations		
Current tax – UK	**(0.6)**	6.9
Current tax – overseas	**–**	(2.9)
Current tax (charge) credit	**(0.6)**	4.0
Current tax on exceptional items	**4.9**	–
Amounts over (under) provided in previous year	**0.3**	(1.4)
Total current tax	**4.6**	2.6
Deferred tax on discontinued operations		
Deferred tax – UK	**–**	(2.2)
Deferred tax – overseas	**–**	(3.8)
Deferred tax on exceptional items	**(32.3)**	3.0
Amounts under provided in previous year	**–**	(0.5)
Total deferred tax	**(32.3)**	(3.5)
Tax charge in the income statement on discontinued operations	**(27.7)**	(0.9)

The tax on the Group's profit before tax on continuing operations differs from the standard rate of UK corporation tax (30%).
The differences are explained below:

	2007 £m	2006 £m
Profit before tax on continuing operations	**7.1**	92.9
Profit before tax at 30% (2006: 30%)	**(2.1)**	(27.9)
Effects of:		
Expenses (income) not subject to tax	**(11.0)**	12.9
Difference in overseas tax rates	**(1.1)**	(0.5)
Restatement of deferred tax from 30% to 28%	**(3.4)**	–
Adjustments relating to prior years	**(0.3)**	(1.4)
Utilisation of previously unrecognised tax losses	**4.9**	21.5
Deferred tax movement on fair valued assets	**0.6**	17.0
Tax (charge) credit in the income statement on continuing operations	**(12.4)**	21.6

Notes to the financial statements continued

6 Taxation continued
Tax on items included in equity

	2007 £m	2006 £m
Current tax credit (charge) on exchange movements offset in reserves	**4.6**	(21.7)
Restatement of deferred tax on pensions from 30% to 28%	**2.4**	–
Deferred tax charge on actuarial gain on defined benefit pension scheme	**(7.4)**	(17.4)
Total tax in equity	**(0.4)**	(39.1)

There was no tax charge on the income from joint ventures and associates included in discontinued operations (2006: £0.2m credit).

The announced reduction in the headline UK Corporation Tax rate from 30% to 28% has resulted in a one off increase in the current year tax charge of £3.4m as the Group's UK deferred tax asset is restated based on the reduced rate. An offsetting £2.4m credit has been recognised directly in equity in accordance with IAS 12.

7 Discontinued operations and disposal groups held for sale
The Group completed the sale of Hard Rock on 5 March 2007 resulting in an exceptional profit of £352.7m before related financing and taxation costs of £37.3m. The results, revenue and costs are recorded in a single line on a post-tax basis in the income statement. A breakdown of the results of discontinued operations is shown below.

	2007	2006				
	Hard Rock £m	Hard Rock £m	US Holidays £m	Deluxe Media Services £m	Deluxe Film £m	Total £m
Revenue	**35.6**	271.2	28.0	163.1	26.2	488.5
Operating profit (loss) before exceptional items	**2.1**	40.4	2.1	(13.9)	1.5	30.1
Exceptional items (see note 4)	**352.7**	–	(20.0)	–	–	(20.0)
Operating profit (loss)	**354.8**	40.4	(17.9)	(13.9)	1.5	10.1
Share of post-taxation (loss) income from joint ventures and associates	**(0.3)**	(1.3)	–	–	0.1	(1.2)
Net financing charge (including exceptional items)	**(10.0)**	(2.6)	–	(0.9)	–	(3.5)
Profit (loss) before taxation	**344.5**	36.5	(17.9)	(14.8)	1.6	5.4
Taxation (including exceptional items)	**(27.7)**	0.4	(3.7)	5.3	(2.9)	(0.9)
Net profit (loss)	**316.8**	36.9	(21.6)	(9.5)	(1.3)	4.5
Other segment information:						
Depreciation and amortisation	**–**	12.7	0.7	–	–	13.4
Capital expenditure	**(1.4)**	(7.7)	(1.8)	(1.4)	(2.6)	(13.5)

Cash flows relating to the discontinued operations are as follows:

	2007	2006				
	Hard Rock £m	Hard Rock £m	US Holidays £m	Deluxe Media Services £m	Deluxe Film £m	Total £m
Cash flows from operating activities	**(0.3)**	45.0	(3.0)	(53.0)	18.5	7.5
Cash flows from investing activities	**(1.4)**	(17.5)	(1.8)	0.1	(2.6)	(21.8)
Cash flows from financing activities	**(0.1)**	(4.4)	(0.1)	(9.2)	(0.1)	(13.8)
	(1.8)	23.1	(4.9)	(62.1)	15.8	(28.1)

7 Discontinued operations and disposal groups held for sale continued

Assets and liabilities relating to the disposal group held for sale are as follows:

	2006 Hard Rock £m
Intangible assets	6.6
Property, plant and equipment	105.2
Financial assets – investments	52.2
Inventories	13.0
Receivables	65.0
Assets held for sale	242.0
Loan and capital borrowings	(5.2)
Payables due within one year	(33.7)
Provisions	(4.6)
Payables greater than one year – reclassified as current	(1.0)
Liabilities held for sale	(44.5)

At 31 December 2006 the fair value less costs to sell of Hard Rock exceeded the carrying amount. Immediately before classification as a disposal group the carrying amounts of all the assets and liabilities were measured in accordance with applicable IFRS. Following classification as held for sale, assets are not depreciated. This had the effect to increase Hard Rock 2007 operating profit by £2.0m and reduce the profit arising on sale of Hard Rock by £2.0m.

8 Results attributable to the parent company

The loss for the financial year in the financial statements of The Rank Group Plc was £18.8m (2006: £25.2m). As permitted by s230 Companies Act 1985, no income statement is presented in respect of The Rank Group Plc.

9 Dividends

	2007 £m	2006 £m
Equity – ordinary		
Final for 2006 paid on 11 May 2007 – 4.0p (2005: 10.3p) per share	**15.6**	62.6
Special for 2007 paid on 9 April 2007 – 65.0p (2006: nil) per share	**352.5**	–
Interim for 2007 paid on 12 October 2007 – 2.0p (2006: 2.0p) per share	**7.8**	11.5
	375.9	74.1

Following the sale of Hard Rock, a special dividend of 65.0 pence per share was paid on 9 April 2007.

The directors have not proposed a final dividend in respect of the year ended 31 December 2007 (2006 – 4.0p).

Notes to the financial statements continued

10 Earnings (loss) per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by the weighted average number of Ordinary shares in issue during the year, excluding Ordinary shares purchased by the Company and held as treasury shares (note 25).

	2007			2006 (restated)		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Profit (loss) attributable to equity shareholders (£m)						
Continuing operations	£31.6m	£(36.9)m	£(5.3)m	£49.3m	£65.2m	£114.5m
Discontinued operations	£1.4m	£315.4m	£316.8m	£19.7m	£(17.0)m	£2.7m
Total	£33.0m	£278.5m	£311.5m	£69.0m	£48.2m	£117.2m
Weighted average number of Ordinary shares in issue (m)	430.4m	430.4m	430.4m	587.5m	587.5m	587.5m
Basic earnings (loss) per share (p)						
Continuing operations	7.3p	(8.5)p	(1.2)p	8.4p	11.1p	19.5p
Discontinued operations	0.4p	73.2p	73.6p	3.4p	(3.0)p	0.4p
Total	7.7p	64.7p	72.4p	11.8p	8.1p	19.9p

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares in issue to assume conversion of all dilutive potential Ordinary shares. The Group has two categories of dilutive potential Ordinary shares: share options and convertible debt. For share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscriptions rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming exercise of the share options. The convertible debt was not dilutive in either year.

There is no difference in the profit (loss) used to determine diluted earnings per share from that used to determine basic earnings per share above.

	2007			2006 (restated)		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Weighted average number of Ordinary shares in issue (m)	430.4m	430.4m	430.4m	587.5m	587.5m	587.5m
Adjustment for share options (m)	–	–	–	0.5m	0.5m	0.5m
Weighted average number of Ordinary shares for diluted earnings per share (m)	430.4m	430.4m	430.4m	588.0m	588.0m	588.0m
Diluted earnings (loss) per share (p)						
Continuing operations	7.3p	(8.5)p	(1.2)p	8.4p	11.1p	19.5p
Discontinued operations	0.4p	73.2p	73.6p	3.4p	(3.0)p	0.4p
Total	7.7p	64.7p	72.4p	11.8p	8.1p	19.9p

(c) Adjusted earnings per share

Adjusted earnings is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exceptional items, other financial gains (losses), the net return on the defined benefit pension asset, unwinding of the discount in disposal provisions, amortisation of the equity component of the convertible bond and the related tax effects. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that adjusted earnings assists in providing a view of the underlying performance of the business.

Adjusted net earnings attributable to equity shareholders is derived as follows:

	2007 £m	2006 (restated) £m
Profit attributable to equity shareholders	311.5	117.2
Discontinued operations (net of taxation and minority interest)	(316.8)	(2.7)
Exceptional items before tax on continuing operations	45.2	(39.0)
Other financials (gains) losses	(0.5)	(10.0)
Net return on defined benefit pension asset	(10.5)	(6.7)
Amortisation of equity component of convertible bond	3.6	3.0
Unwinding of discount in disposal provisions	1.3	–
Taxation on adjusted items and impact of reduction in tax rate to 28%	(1.8)	(35.0)
Adjusted net earnings attributable to equity shareholders	32.0	26.8
Weighted average number of Ordinary shares in issue (m)	430.4m	587.5m
Adjusted earnings per share (p)	7.4p	4.6p

11 Intangible assets

Group	Blue Square Goodwill £m	Casino and other gaming licences £m	Other £m	Total £m
Cost				
At 1 January 2006 (as published)	53.8	114.2	28.1	196.1
Prior year restatement*	–	13.9	–	13.9
At 1 January 2006 (restated)	53.8	128.1	28.1	210.0
Exchange adjustments	–	(0.4)	(1.0)	(1.4)
Additions	–	–	4.0	4.0
Disposals	–	–	(0.7)	(0.7)
Businesses disposed	–	(16.6)	(0.1)	(16.7)
Fair value adjustments	–	(0.4)	(0.1)	(0.5)
Classified as held for sale	–	–	(7.0)	(7.0)
At 31 December 2006 (restated)	53.8	110.7	23.2	187.7
Exchange adjustments	–	2.9	–	2.9
Additions	–	2.3	4.2	6.5
At 31 December 2007	53.8	115.9	27.4	197.1
Aggregate amortisation and impairment				
At 1 January 2006	–	–	17.9	17.9
Exchange adjustments	–	–	(0.9)	(0.9)
Charge for the period	–	–	3.8	3.8
Impairment losses	–	–	0.5	0.5
Disposals	–	–	(0.5)	(0.5)
Classified as held for sale	–	–	(6.3)	(6.3)
At 31 December 2006	–	–	14.5	14.5
Charge for the period	–	–	3.6	3.6
At 31 December 2007	–	–	18.1	18.1
Net book value at 31 December 2006 (as published)	53.8	96.8	8.7	159.3
Net book value at 31 December 2006 (restated)	53.8	110.7	8.7	173.2
Net book value at 31 December 2007	**53.8**	**115.9**	**9.3**	**179.0**

Other intangible assets comprise other licences, computer software and development technology and customer lists. These include internally generated computer software and development technology with a net book value of £1.3m (2006: £1.5m).

Indefinite life intangible assets have been reviewed for impairment as set out in note 13.

* The 2006 comparatives have been restated to reflect the transfer of £13.9m of assets from property, plant and equipment to intangible assets as if it had taken place on 1 January 2006.

Notes to the financial statements continued

12 Property, plant and equipment

Group	Land and buildings £m	Fixtures, fittings, plant & machinery £m	Assets in construction £m	Total £m
Cost				
At 1 January 2006 (as published)	473.0	396.2	2.0	871.2
Prior year restatement*	–	(13.9)	–	(13.9)
At 1 January 2006 (restated)	473.0	382.3	2.0	857.3
Exchange adjustments	(17.1)	(14.3)	(0.3)	(31.7)
Reclassification	1.0	(0.3)	(0.7)	–
Additions at cost	7.0	47.1	1.2	55.3
Disposals	(162.5)	(28.7)	–	(191.2)
Property, plant and equipment write off	(6.0)	(0.8)	–	(6.8)
Classified as held for sale	(126.3)	(89.7)	(0.9)	(216.9)
Businesses disposed	(24.5)	(27.8)	(1.3)	(53.6)
At 31 December 2006 (restated)	144.6	267.8	–	412.4
Exchange adjustments	0.8	3.2	–	4.0
Additions at cost	5.5	37.9	–	43.4
Disposals	(12.4)	(11.6)	–	(24.0)
At 31 December 2007	138.5	297.3	–	435.8
Accumulated depreciation				
At 1 January 2006	148.3	242.0	–	390.3
Exchange adjustments	(8.5)	(9.8)	–	(18.3)
Reclassification	1.1	(1.1)	–	–
Charge for the year	10.9	27.7	–	38.6
Impairment losses	3.3	6.0	–	9.3
Property, plant and equipment write off	(6.0)	(0.8)	–	(6.8)
Businesses disposed	(18.5)	(24.3)	–	(42.8)
Disposals	(26.2)	(23.8)	–	(50.0)
Classified as held for sale	(56.7)	(55.0)	–	(111.7)
At 31 December 2006	47.7	160.9	–	208.6
Exchange adjustments	0.1	1.5	–	1.6
Reclassification	0.2	(0.2)	–	–
Charge for the year	3.8	21.1	–	24.9
Impairment losses (see note 13)	15.1	18.8	–	33.9
Disposals	(2.6)	(9.8)	–	(12.4)
At 31 December 2007	64.3	192.3	–	256.6
Net book value at 31 December 2006 (as published)	96.9	120.8	–	217.7
Net book value at 31 December 2006 (restated)	96.9	106.9	–	203.8
Net book value at 31 December 2007	**74.2**	**105.0**	**–**	**179.2**

* The 2006 comparatives have been restated to reflect the transfer of £13.9m of assets from property, plant and equipment to intangible assets as if it had taken place on 1 January 2006.

Assets held under finance leases, capitalised and included in land and buildings and fixtures, fittings, plant and machinery:

	2007 £m	2006 £m
Cost	**20.5**	20.6
Accumulated depreciation	**(10.9)**	(9.6)
Net book value	**9.6**	11.0

The book amounts for fixtures, fittings, plant and machinery include assets held under finance leases with a net book value of £0.2m (2006: £0.3m). The book amounts for land and buildings include buildings held under finance leases with a net book value of £9.4m (2006: £10.7m).

The net book value of land and buildings comprises:

	2007 £m	2006 £m
Freeholds	**24.6**	41.8
Long leases (over 50 years unexpired)	**3.4**	1.6
Short leases	**46.2**	53.5
Net book value	**74.2**	96.9

13 Impairment review

Impairment review of intangible assets with indefinite lives

As stated in the accounting policies note (sections K and L) assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. The Group classifies goodwill and casino and other gaming licences as indefinite life assets.

a) Goodwill

Blue Square

The Group has goodwill with a carrying value of £53.8m in respect of the acquisition of Blue Square (2006: £53.8m). As at 31 December 2007 management does not believe that the carrying value of the Blue Square goodwill was impaired as the value in use significantly exceeded the carrying value of goodwill.

The whole of Blue Square is treated as a single cash-generating unit and is tested for impairment on that basis. The recoverable amount of the goodwill has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Board for the next financial year along with projections for the following two years from the Group's Business Plan which was also approved by the Board. A 2% growth rate was applied thereafter. The pre-tax discount rate applied to the cash flow projections is 9.4% (2006: 11.3%).

Key assumptions used in value in use calculations

The calculation of value in use for Blue Square is most sensitive to the following assumptions:

– settled stakes;

– gross win margins; and

– discount rates.

Settled stakes are based on monies placed by customers for the sportsbook and gaming businesses. Management takes into account the product mix, major sporting events and industry developments when determining settled stakes.

Gross win margins are based on values achieved in the past and amended for any anticipated changes in the budget period.

Discount rates reflect management's estimate of the Group's pre-tax weighted average cost of capital. Management believes that the Group's weighted average cost of capital is an appropriate measure as there is no funding directly attributable to that group of assets.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of Blue Square, there are possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount. These are discussed below:

– settled stakes may be affected by a decrease in customers, a decrease in marketing spend, a change in technology, competition or regulatory changes; and

– gross win margins may be affected by the results of sporting events, odds setting or by changes in legislation to the gaming industry.

Changes in either key assumption impacts gross win, which is calculated by applying the win margin to stakes placed. If gross win were to decrease by in excess of 65% each year the value in use would equal the carrying value of the cash-generating unit.

b) Casino and other gaming licences

Grosvenor Casinos

The inherent value of casino licences is deemed to be an intrinsic part of the value of the operation of casinos as a whole and is not therefore split out from total casino assets in an impairment review. The cost of casino licences as at 31 December 2007 was £92.2m (2006 (restated): £88.5m) and management does not believe that there is any impairment.

Each Grosvenor casino has been treated as a separate cash-generating unit, and tested for impairment on that basis. The recoverable amount of each Grosvenor casino, including the licence, has been determined based on the higher of fair value less costs to sell and value in use. Value in use has been calculated using cash flow projections based on financial budgets approved by the Board for the next financial year along with projections for the following two years from the Group's Business Plan which was also approved by the Board. A long term growth rate of 2% was applied thereafter. The pre-tax discount rate applied to cash flow projections is 9.4% (2006: 11.3%).

Any impairment is allocated equally across all assets in a cash-generating unit unless a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets. Casino and other gaming licences are generally not impaired as they have an indefinite life and a fair market value in excess of their carrying value.

Key assumptions used in value in use calculations

The calculation of the value in use of a casino licence is most sensitive to the following assumptions:

– admissions;
– spend per head;
– rate of casino duty;
– discount rate; and
– competition.

Admissions are the number of discrete visits by members to the casino and have been based on historic trends adjusted for the introduction of advertising.

Spend per head comprises the average amount of money (net of winnings) spent by a member on gaming tables, machines and food and beverages. This has been determined by historic trends.

Casino duty is levied in bands of between 15% and 50% depending upon the level of gaming win at each casino. The bands and rates have been assumed to remain at current levels without indexation.

Notes to the financial statements continued

13 Impairment review continued
Discount rate reflects management's estimate of the Group's pre-tax weighted average cost of capital. Management believes that the Group's weighted average cost of capital is an appropriate measure as there is no funding directly attributable to that group of assets.

Competition comprises other casinos located in the same geographic area. The impact of this has been assessed by individual location.

Sensitivity to changes in assumptions
With regard to the assessment of value in use of casino licences, there are possible changes in key assumptions that could cause the carrying value of individual licences to exceed their recoverable amount. These are discussed below:

– competition from licences granted under the Gambling Act 2005 and 1968 Gaming Act could vary depending upon the number and location of new casinos as well as the date of opening;

– admission levels could vary as a result of general economic conditions and the impact of advertising and membership reward programmes; and

– spend per head may be impacted by the number of new members, changes in gaming legislation and macro economic conditions.

Management does not believe that there are any reasonably possible changes to the key assumptions that would result in a material impairment of a casino licence.

c) Spanish bingo licences
The inherent value of Spanish bingo licences are deemed to be an intrinsic part of the value of the operations as a whole and not therefore split out from Spanish bingo assets in an impairment review. The cost of Spanish bingo licences as at 31 December 2007 was £23.7m (2006: £22.2m). Each individual bingo club has been created as a separate cash-generating unit, and tested for impairment on that basis. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Board for the next financial year along with projections for the following two years from the Group's Business Plan which was also approved by the Board. A long term growth rate of 3% was applied thereafter. The discount rate was the Group's pre-tax weighted average cost of capital, which is consistent with other value in use calculations.

Impairment review of property, plant and equipment
As stated in the accounting policies note (section L) if the carrying value of the Group's property, plant and equipment is higher than the estimated recoverable amount the value of those assets is written down. Property, plant and equipment and intangible assets are grouped into cash-generating units which are defined as individual clubs for Mecca Bingo, Top Rank España and Grosvenor Casinos and the whole of the operation for Blue Square.

The key assumptions and sensitivities in the impairment reviews for casino assets and other gaming licences are set out above.

Recoverable amount is determined based on the higher of fair value less costs to sell and value in use, which is calculated using cash flow projections based on financial budgets approved by the Board for the next financial year along with projections for the following two years from the Group's Business Plan which was also approved by the Board. A long term growth rate of 2% was applied thereafter to Mecca Bingo, Grosvenor Casinos, Blue Square and 3% to Top Rank España.

Any impairment is allocated equally across all assets in a cash-generating unit unless a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets.

The key assumption in the impairment review for Mecca Bingo is the continued impact of the smoking ban implemented in England and Wales in 2007 and the loss of Section 21 gaming terminals. Management believes that the introduction of a smoking ban has resulted in a step change reduction in admissions and income levels. Revenues are not expected to return to pre ban levels in the short term and it is assumed that income will grow at the long term trend rates detailed above. The cash flows generated by each club are driven by a large number of factors including competition, economic conditions, ability to generate new players and retain existing players. In the event that income levels reduce at individual clubs beyond expectations then further impairments may be required.

2007
Mecca Bingo
In 2007 an impairment charge of £25.7m has been recognised in respect of a number of clubs where the estimated cash flows associated with those clubs were less than the carrying value of the property, plant and equipment. The impact from the smoking bans in the UK and the loss of Section 21 gaming terminals has been more severe than management had anticipated. As a consequence, in certain clubs it has also been necessary to make onerous lease provisions amounting to £19.1m.

Grosvenor Casinos
In 2007 an impairment charge of £8.2m has been recognised in respect of a limited number of casinos where the effects of the smoking ban, increased competition and changes in casino duty levels has resulted in estimated cash flows that are lower than the carrying value of property, plant and equipment. An onerous lease provision of £1.7m has also been made.

2006
Mecca Bingo
In 2006 an impairment charge of £8.6m was recognised in respect of a number of clubs where the estimated cash flows associated with those clubs were less than the carrying value of the property, plant and equipment.

Blue Square
The operations of the Blue Square betting shop were disposed on 24 August 2006. Prior to the disposal its intangible assets and property, plant and equipment were impaired by £1.2m.

14 Investments

	Group		Company	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Investments in subsidiaries	**–**	–	**1,343.6**	1,343.6
Financial assets – available-for-sale investments	**0.1**	0.5	**–**	–
Total investments	**0.1**	0.5	**1,343.6**	1,343.6

Available-for-sale financial assets comprise £0.1m (2006: £0.5m) in respect of UK listed equity investments, which by their nature have no fixed maturity date or coupon rate.

The fair value of the listed equity shares has been estimated using valuation guidelines based on market prices. A fair value loss of £0.4m has been recognised in equity (2006: £nil).

Investments in subsidiaries (Company)
A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 40. Investments in subsidiaries are carried at cost of £1,515.6m (2006: £1,515.6m) less provision for impairment of £172.0m (2006: £172.0m).

15 Deferred tax
The analysis of deferred tax included in the financial statements at the end of the year is as follows:

	Group	
	2007 £m	2006 £m
Deferred tax assets		
Accelerated capital allowances	**38.0**	32.5
Tax losses carried forward	**24.2**	10.1
Deferred tax assets	**62.2**	42.6
Deferred tax liabilities		
Pensions	**(29.1)**	(10.6)
Other overseas timing differences	**(7.8)**	(7.8)
Business combinations – non-qualifying properties	**(2.5)**	(3.3)
Other UK timing differences	**(16.8)**	(18.9)
Deferred tax liabilities	**(56.2)**	(40.6)
Net deferred tax asset	**6.0**	2.0

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets and current tax liabilities and it is the intention to settle these on a net basis. Deferred tax assets and liabilities of £48.3m (2006: £32.9m) have been offset and disclosed on the balance sheet as follows:

	2007 £m	2006 £m
Deferred tax asset	**13.5**	9.7
Deferred tax liability	**(7.5)**	(7.7)
Net deferred tax asset	**6.0**	2.0

The deferred tax assets recognised are recoverable against future taxable profits that the directors consider more likely than not to occur on the basis of management forecasts.

There are no unrecognised deferred tax assets at 31 December 2007 (2006: £60.4m).

Temporary differences associated with Group investments
At 31 December 2007, there was no recognised deferred tax liability (2006: £nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as:

– the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future;

– the parent company does not foresee giving such consent at the balance sheet date; and

– there are no income tax consequences attaching to the payment of dividends by the Group to its shareholders.

The Company has a deferred tax asset of £nil (2006: £0.2m).

Notes to the financial statements continued

15 Deferred tax continued

The deferred tax included in the Group income statement is as follows:

	Group	
	2007 £m	2006 £m
Deferred tax in the income statement		
Accelerated capital allowances	**5.5**	14.1
Deferred tax movement on fair valued assets	**0.6**	11.9
Tax losses	**(14.8)**	(1.6)
Other timing differences	**(10.4)**	(12.9)
Total deferred tax (expense) credit	**(19.1)**	11.5
Deferred tax expense on discontinued operations	**(32.3)**	(3.5)
Deferred tax credit on continuing operations	**13.2**	15.0
Total deferred tax (expense) credit	**(19.1)**	11.5

Deferred tax on discontinued operations includes deferred tax charges on tax losses of £32.3m (2006: credit of £5.0m), other timing differences of £nil (2006: charge of £8.7m) and on accelerated capital allowances of £nil (2006: credit of £0.2m).

The above numbers are shown net of the deferred tax charge of £3.4m resulting from the reduction in the headline UK corporation tax rate from 30% to 28%.

The deferred tax movement on the balance sheet is as follows:

	2007 £m	2006 £m
Net deferred tax asset at 1 January	**2.0**	62.5
Exchange adjustments	**(0.8)**	(6.6)
Deferred tax (expense) credit	**(19.1)**	11.5
Deferred tax on items included in equity	**(5.0)**	(21.2)
Businesses disposed	**–**	(0.6)
Classified from (as) held for sale	**28.9**	(43.6)
Net deferred tax asset at 31 December	**6.0**	2.0

16 Inventories

	Group	
	2007 £m	2006 £m
Raw materials	**0.3**	0.5
Finished goods	**3.1**	3.8
	3.4	4.3

The Group wrote down £nil (2006: £nil) of inventories.

17 Trade and other receivables

	Group		Company	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Current				
Trade receivables	**1.8**	20.8	**–**	–
Less: provisions for impairment of trade receivables	**(0.9)**	(1.0)	**–**	–
Trade receivables – net	**0.9**	19.8	**–**	–
Other receivables	**12.7**	17.4	**–**	0.6
Prepayments and accrued income	**16.3**	19.5	**–**	–
Amounts owed by subsidiary undertakings repayable on demand	**–**	–	**43.6**	43.7
	29.9	56.7	**43.6**	44.3
Non-current				
Other receivables	**1.5**	8.4	**–**	–
	1.5	8.4	**–**	–

17 Trade and other receivables continued
The carrying values of trade receivables are assumed to approximate to their fair values due to the short term nature of trade receivables.

As of 31 December 2007, trade receivables of £0.9m (2006: £1.0m) were impaired. The amount of the provision was £0.9m (2006: £1.0m). The ageing of these receivables is as follows:

	2007 £m	2006 £m
Up to 3 months	**–**	–
3 to 6 months	**–**	–
Over 6 months	**0.9**	1.0
	0.9	1.0

As of 31 December 2007, trade receivables of £0.3m (2006: £3.9m) were past due but not impaired. The ageing of these trade receivables is as follows:

	2007 £m	2006 £m
Up to 3 months	**0.2**	3.6
3 to 6 months	**–**	0.3
Over 6 months	**0.1**	–
	0.3	3.9

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2007 £m	2006 £m
UK Sterling	**0.8**	1.7
Euro	**0.1**	–
US Dollar	**–**	18.1
	0.9	19.8

The movements on the Group provision for impairment of trade receivables are as follows:

	2007 £m	2006 £m
At 1 January	**(1.0)**	(0.2)
Provision for receivables impairment	**(0.3)**	(0.8)
Receivables written off during the year as uncollectible	**0.4**	–
At 31 December	**(0.9)**	(1.0)

The creation and release of provision for impaired receivables have been included in other operating costs in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

18 Trade and other payables – current

	Group		Company	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Trade payables	**17.9**	28.0	**–**	–
Other tax and social security payable	**8.3**	9.5	**–**	–
Other payables	**54.8**	54.5	**–**	–
Accruals	**17.2**	30.1	**2.0**	1.8
Deferred consideration	**3.0**	0.1	**–**	–
Pension fund creditor (see note 34)	**2.6**	3.0	**–**	–
Amounts owed to subsidiary undertakings repayable on demand	**–**	–	**523.2**	131.5
	103.8	125.2	**525.2**	133.3

19 Current tax liabilities

	Group	
	2007 £m	2006 £m
Corporation tax payable	**5.4**	2.3

Notes to the financial statements continued

20 Financial liabilities

Financial liabilities comprise the following:

	Group		Company	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Bank overdrafts	**3.5**	8.2	**–**	–
Derivative financial instruments (see note 22)	**2.5**	4.2	**–**	–
US$100m @ 6.375% Yankee bonds 2008	**49.8**	49.5	**–**	–
US$14.3m @ 7.125% Yankee bonds 2018	**7.2**	7.3	**–**	–
£167.7m @ 3.875% convertible unsecured loan stock 2009 (net of unamortised facility fees and equity component)	**163.1**	158.7	**163.1**	158.7
Multi currency syndicated loan facilities	**150.0**	282.4	**–**	–
Other (including accrued interest and unamortised facility fees)	**3.5**	(1.5)	**2.9**	2.7
Obligations under finance leases	**14.6**	16.7	**–**	–
Financial guarantees	**–**	–	**1.3**	1.1
	394.2	525.5	**167.3**	162.5
Bank overdrafts	**3.5**	8.2	**–**	–
Other borrowings repayable:				
Within one year or on demand	**59.7**	5.2	**4.2**	3.8
Between one and two years	**163.9**	292.5	**163.1**	–
Between two and five years	**149.9**	201.0	**–**	158.7
In five years or more	**17.2**	18.6	**–**	–
	394.2	525.5	**167.3**	162.5
Current	**63.2**	13.4	**4.2**	3.8
Non-current	**331.0**	512.1	**163.1**	158.7
	394.2	525.5	**167.3**	162.5
Unsecured convertible bond	**163.1**	158.7	**163.1**	158.7
Other unsecured borrowings	**216.5**	350.1	**2.9**	2.7
Obligations under finance leases (secured see note 35)	**14.6**	16.7	**–**	–
Financial guarantees	**–**	–	**1.3**	1.1
	394.2	525.5	**167.3**	162.5

Undrawn borrowing facilities

At 31 December 2007 the Group had undrawn committed borrowing facilities available of £250.0m (2006: £367.6m) in respect of which all conditions precedent had been met at that date. These facilities expire in 2012 and pay interest at floating rates.

The analysis of other borrowings repayable includes £163.1m of convertible bonds (2006: £158.7m). The bond is due in 2009 and is convertible at the option of the holder into fully paid Ordinary shares at £3.5167 (2006: £3.764) per share. Interest is paid half yearly in January and July. The effective interest rate on the liability portion of the bond is 4.2%. None of the bonds were converted during the year. If the conversion rights attached to the bonds outstanding at 31 December 2007 were exercised, 47.7m Ordinary shares would fall to be issued (2006: 44.6m). Unless previously redeemed or converted, the bonds will be redeemed at par in 2009.

Included in other borrowings repayable are the drawings of £150.0m on the syndicated bank facility (2006: £282.4m). The facility was negotiated on 14 April 2007 and consists of a £150.0m term loan and a £250.0m revolving credit facility. Both the term loan and the revolving credit facility expire in April 2012. Interest is payable on a monthly basis. All amounts outstanding at 31 December 2007 were drawn in UK Sterling.

Also included in other borrowings is $114.3m (£57.0m) (2006: $114.3m (£56.8m)) of Yankee bonds, of which $100.0m matured in January 2008 and $14.3m matures in 2018. Interest is payable half yearly in January and July.

The analysis of other borrowings repayable above includes obligations under finance leases, of which £0.9m (2006: £1.7m) expire within one year, £0.7m (2006: £0.8m) expire between one and two years, £2.5m (2006: £2.6m) expire between two and five years, and £10.5m (2006: £11.6m) expire after five years.

The funding policy of the Group is to maintain a broad portfolio of debt, diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

The exposure of the Group's borrowings to interest rate changes and to contractual repricing dates at the balance sheet date are as follows:

	2007 £m	2006 £m
Six months or less	**153.5**	290.6

20 Financial liabilities continued

The carrying amounts and fair value of non-current borrowings are as follows:

	Net carrying amount		Fair value	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Short term financial liabilities and current portion of long term borrowings	**60.7**	10.8	**60.7**	10.8
Derivative financial instrument liabilities	**2.5**	2.6	**2.5**	2.6
Current	**63.2**	13.4	**63.2**	13.4
Bank borrowings	**150.0**	282.4	**150.0**	282.4
US Dollar bonds	**7.2**	56.8	**7.2**	58.4
Convertible bond	**163.1**	158.7	**167.7**	167.7
Finance leases	**14.6**	15.0	**14.6**	15.0
Other	**(3.9)**	(0.8)	**(3.9)**	(0.8)
Non-current	**331.0**	512.1	**335.6**	522.7

The fair value of the current borrowings equals their carrying amount. The current borrowings matured in January 2008 and therefore the impact of discounting is not considered significant.

The fair value of the guarantees issued by the Company is £1.3m (2006: £1.1m). This is calculated by applying the Company's probability of default, derived from the Company's credit rating, to the 31 December 2007 drawn debt of subsidiaries guaranteed by the Company.

21 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the US Dollar. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through the matching of borrowings to assets and by the purchase of derivatives denominated in the relevant foreign currencies. Group policy is to hedge 90% of identified exposures.

At 31 December 2007, if the US Dollar had weakened/strengthened by 4.7% against UK Sterling with all other variables held constant, post-tax profit for the year would have been £2.3m higher/£2.6m lower (2006: £20.4m higher/£18.5m lower), mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated borrowings. Included in the £20.4m/£18.5m movements in 2006 is £17.1m higher/£15.5m lower relating to the currency option contracted in December 2006 to hedge the proceeds from the sale of Hard Rock. Profit is less sensitive to movement in US Dollar exchange rates in 2008 than 2007 because of the decreased amount of US Dollar denominated borrowings. The majority of US Dollar denominated borrowings matured in January 2008. Equity would have been unchanged (2006: £nil higher/lower) arising mainly from foreign exchange losses/gains on translation of US Dollar denominated debt and net investment hedges.

At 31 December 2007, if the Euro had weakened/strengthened by 2.2% against UK Sterling with all other variables held constant, post-tax profit for the year would have been £0.5m (2006: £2.0m) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Euro denominated borrowings. Equity would have been £1.5m higher/lower (2006: £1.5m higher/lower) arising mainly from foreign exchange losses/gains on translation of quasi equity hedges.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Its only interest bearing assets are cash and cash equivalents which earn floating rate interest.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain approximately 60% of its borrowings in fixed rate instruments using interest rate swaps to achieve this when necessary. At 31 December 2007 45% of the Group's debt was held in fixed rate borrowings (2006: 52%).

Notes to the financial statements continued

21 Financial risk management continued
During 2007 and 2006, the Group's borrowings at variable rate were denominated in US Dollar and UK Sterling.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest bearing positions. Based on the simulations performed, the impact on profit or loss of a 60 basis–point shift would be a maximum increase of £0.9m (2006: £1.0m) or decrease of £0.9m (2006: £1.0m), respectively.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily half yearly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Occasionally the Group also enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the 60% target.

(b) Credit risk
Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures on outstanding receivables.

The Group only deals with banks and financial institutions with which they have a lending or advisory relationship. The creditworthiness of each counterparty is checked against independent credit ratings with a minimum rating of 'A' accepted. An internal rating is then allocated and an individual credit limit is set in accordance with limits set by the Board. Management reviews the ratings and the utilisation of credit limits on a regular basis.

Sales to retail customers are settled in cash or using major credit cards.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance of its counterparties.

2007	**Cash £m**	**Derivatives £m**	**Total £m**
AA	**39.6**	**0.6**	**40.2**
A	**17.6**	**–**	**17.6**
Cash floats	**14.9**	**–**	**14.9**
Cash, cash equivalents and derivative assets	**72.1**	**0.6**	**72.7**

2006	Cash £m	Derivatives £m	Total £m
AA	49.3	9.5	58.8
A	18.6	–	18.6
Cash floats	15.7	–	15.7
Cash, cash equivalents and derivative assets	83.6	9.5	93.1

The counterparties to the forward foreign exchange contracts, cross currency swaps, currency option and term deposits are major international financial institutions with strong credit ratings. The Group continually monitors its positions and the credit ratings of its counterparties.

The Group is exposed to £7.4m (2006: £155.8m) of credit risk on derivative fair value assets and £73.0m (2006: £103.4m) on trade receivables and cash, should the counterparty default.

(c) Liquidity risk
Liquidity risk is the risk that the Group will not have sufficient funds to meet its liabilities. Cash forecasts identifying the liquidity requirements of the Group are produced regularly. The cash forecasts are sensitivity tested for different scenarios and are reviewed regularly to ensure sufficient financial headroom exists for at least a 12 month period.

Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available. A four year strategic forecast is prepared annually to facilitate planning for future financing needs. Management actively manages its financing requirements and the range of maturities on its debt. The Group has committed financing facilities until 2012, of which £250.0m (2006: £367.6m) was undrawn at 31 December 2007.

The funding policy of the Group is to maintain, as far as practicable, a broad portfolio of debt diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

21 Financial risk management continued

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2007	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	**63.2**	**172.1**	**154.0**	**20.2**
Derivative financial instruments – net settled	**126.8**	–	–	–
Derivative financial instruments – gross settled	**39.7**	–	–	–
Trade and other payables	**103.8**	**0.5**	–	–
	333.5	**172.6**	**154.0**	**20.2**

At 31 December 2006	£m	£m	£m	£m
Borrowings	11.2	294.3	213.7	21.3
Derivative financial instruments – net settled	232.4	–	–	–
Derivative financial instruments – gross settled	3.5	–	–	–
Trade and other payables	125.2	1.4	–	–
	372.3	295.7	213.7	21.3

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of its leverage ratio. This ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings (including 'borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents, less accrued interest, less unamortised facility fees and amounts relating to discontinued operations. EBITDA is calculated as operating profit before exceptional items plus depreciation and amortisation.

During 2007, the Group's long term strategy, which was unchanged from 2006, was to maintain a leverage ratio of 3.5-4.0 times in order to secure access to finance at a reasonable cost by maintaining a BB credit rating.

The leverage ratios at 31 December 2007 and 2006 were as follows:

	2007 £m	2006 £m
Total borrowings (see note 20)	**394.2**	525.5
Less: Cash and cash equivalents	**(72.1)**	(83.6)
Less: Derivatives	**(2.5)**	(4.2)
Less: Accrued interest	**(6.5)**	(0.7)
Less: Unamortised facility fees	**3.8**	5.0
Less: Discontinued operations	–	5.2
Net debt	**316.9**	447.2
Operating profit from continuing operations before exceptionals	**68.3**	73.2
Add: Operating profit from discontinued operations before exceptionals	**2.1**	30.1
Add: Depreciation and amortisation – continuing operations	**28.5**	28.9
Add: Depreciation and amortisation – discontinued operations	–	13.4
Add: Reversal of profit restatement due to change in accounting policies	–	4.2
EBITDA	**98.9**	149.8
Leverage ratio	**3.2**	3.0

The increase in the leverage ratio during 2007 resulted primarily from the repayment of debt following the sale of Hard Rock.

Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term bonds. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The fair value of quoted borrowings is based on year-end mid-market quoted prices. The fair values of other borrowings and the derivative financial instruments are estimated by discounting the future cash flows to net present value using appropriate market rates prevailing at the year-end.

Notes to the financial statements continued

22 Financial instruments

A description of the policies relating to financial instruments is set out in note 1G.

(a) Fair values

The carrying value of derivative financial assets at 31 December 2007 was £0.6m (2006: £9.5m) and is considered to equal their fair value. The impact of discounting is not considered significant as the derivatives matured in January 2008.

(b) Financial derivative instruments

	2007		2006	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Cross currency swap – inter-company loan hedge (held for trading)	–	–	4.3	(2.5)
Cross currency swap – quasi equity hedge	–	–	1.8	–
Cross currency swap – cash flow hedge	–	**(0.3)**	–	–
Interest rate swap – fair value hedge	–	**(0.5)**	–	(1.6)
Interest rate cap and collar (held for trading)	–	–	0.2	–
Forward exchange contract – net investment hedge	–	**(1.4)**	–	–
Forward exchange contract – inter-company loan hedge (held for trading)	**0.4**	–	–	–
Forward exchange contract – cash flow hedge	**0.2**	**(0.3)**	–	–
Forward foreign exchange contract (held for trading)	–	–	0.1	(0.1)
Fair value of derivative used to hedge flows from continuing operations	**0.6**	**(2.5)**	6.4	(4.2)
Currency option – cash flow hedge	–	–	3.1	–
Total	**0.6**	**(2.5)**	9.5	(4.2)
Less non-current portion	–	–	–	1.6
Current portion	**0.6**	**(2.5)**	9.5	(2.6)

There was no ineffectiveness to be recorded for the fair value, net investment, quasi equity or cash flow hedges.

The nominal values of derivative financial instruments at 31 December 2007 were:

2007	**£m**	**US$m**	**€m**
Cross currency swap – cash flow hedge	–	78.0	–
Interest rate swap – fair value hedge	–	100.0	–
Forward exchange contract – net investment hedge	–	–	95.0
Forward exchange contract – inter-company loan hedge (held for trading)	–	–	28.0
Forward exchange contract – cash flow hedge	–	75.0	–

2006	£m	US$m	€m
Cross currency swap – inter-company loan hedge (held for trading)	–	128.0	138.0
Cross currency swap – quasi equity hedge	–	–	98.0
Interest rate swap – fair value hedge	–	100.0	–
Interest rate cap and collar (held for trading)	50.0	–	–
Forward foreign exchange contract (held for trading)	–	1.0	1.0
Currency option – cash flow hedge	–	675.0	–

(c) Fair value hedge

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2007 was US$100.0m (2006: US$100.0m). These matured in January 2008. The interest rate swaps hedged the interest due on the 2008 Yankee bonds.

The gain on the fair value hedge instrument was £1.1m (2006: £0.8m). The loss on the underlying 2008 Yankee bond was £1.1m (2006: £0.8m).

(d) Cash flow hedges

The Group entered into a series of currency forwards and cross currency swaps to hedge the repayment of US Dollar debt and interest due in January 2008. The nominal value of the derivatives at 31 December 2007 is $103.0m (2006: nil) with a fair value of £(0.4)m (2006: nil). The cash flows and profit and loss entries occurred in January 2008 on maturity of the 2008 Yankee bonds.

At 31 December 2006 the Group entered into a currency option to hedge the receipt of the US Dollar proceeds from the sale of Hard Rock which completed in March 2007. The nominal value of the option at 31 December 2006 was $675.0m with a fair value of £3.1m. Due to the exchange rate prevailing at the date of sale of Hard Rock being favourable to the option rate the option was not utilised. The reversal of the fair value booked at 31 December 2006 is included as an exceptional financing cost within discontinued operations.

22 Financial instruments continued

(e) Quasi equity hedges

The Group has hedged the translation risk on its quasi equity inter-company loans using a series of cross currency swaps. The nominal value of the swaps at 31 December 2007 was €nil (2006: €98m), with a net fair value of £nil (2006: £1.8m).

(f) Derivatives held for trading

The retranslation of the inter-company loan balances across the Group are hedged using a series of forward foreign exchange contracts and cross currency swaps. The nominal value of the swaps at 31 December 2007 was $nil and €28m (2006: $128m and €138m), with a net fair value of £0.4m (2006: £1.8m). The hedges matured in January 2008.

There were £(0.5)m derivatives outstanding at the balance sheet date that were designated as fair value hedges (2006: £(1.6)m), relating to interest rate swaps. These matured in January 2008.

(g) Net investment hedges

A proportion of the Group's US Dollar denominated borrowings amounting to $nil (2006: $429.3m) is designated as a hedge of the net investment in the Group's US subsidiaries. The foreign exchange profit of £nil (2006: £1.0m) on translation of the borrowing at the balance sheet date is recognised in the exchange translation reserve, in shareholders' equity. The Group has hedged the translation risk on its Euro denominated assets using a series of forward foreign currency contracts. The nominal value of the contracts at 31 December 2007 was €95m (2006: €nil), with a net fair value of £(1.4)m (2006: £nil).

23 Other non-current liabilities

	Group	
	2007 £m	2006 £m
UK corporation tax and overseas taxation	**31.5**	31.5
Deferred consideration	**0.5**	0.9
Accruals	**–**	0.5
	32.0	32.9

The UK corporation tax and overseas taxation primarily relates to transfer pricing issues on discontinued operations in overseas jurisdictions and tax planning that has been challenged by the relevant tax authority. The liability represents management's current estimate of the payments that will be required to settle the various issues.

24 Provisions for other liabilities and charges

		Disposal provisions			
Group	Onerous leases £m	Deluxe £m	Hard Rock £m	Other £m	**Total £m**
At 1 January 2007	7.2	46.3	–	0.6	**54.1**
Charged to the income statement – exceptional	27.7	–	26.0	–	**53.7**
Utilised in year	(1.7)	(12.0)	(15.3)	–	**(29.0)**
Transferred	–	0.6	–	(0.6)	**–**
Unwinding of discount	0.3	1.3	–	–	**1.6**
At 31 December 2007	**33.5**	**36.2**	**10.7**	**–**	**80.4**
Current	3.9	6.1	10.4	–	**20.4**
Non-current	29.6	30.1	0.3	–	**60.0**
Total	**33.5**	**36.2**	**10.7**	**–**	**80.4**

The maturity profile of provisions is as follows:

2007	**£m**	**£m**	**£m**	**£m**	**£m**
Within one year	**3.9**	**6.1**	**10.4**	**–**	**20.4**
Between one and two years	**3.0**	**3.6**	**0.3**	**–**	**6.9**
Between two and five years	**6.0**	**13.0**	**–**	**–**	**19.0**
Over five years	**20.6**	**13.5**	**–**	**–**	**34.1**
Total	**33.5**	**36.2**	**10.7**	**–**	**80.4**

2006	£m	£m	£m	£m	£m
Within one year	1.6	10.5	–	0.6	12.7
Between one and two years	1.2	35.8	–	–	37.0
Between two and five years	2.3	–	–	–	2.3
Over five years	2.1	–	–	–	2.1
Total	7.2	46.3	–	0.6	54.1

Provisions have been discounted at a risk free interest rate of 5% where the effects of inflation will have a material impact.

Notes to the financial statements continued

24 Provisions for other liabilities and charges continued

Onerous leases

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous. These leases have an unexpired life of between 10 and 57 years.

Disposal provisions

The disposal provisions held at 31 December 2007 consist of the following:

	Deluxe £m	Hard Rock £m	**Total £m**
Onerous leases	24.6	–	**24.6**
Other	11.6	10.7	**22.3**
At 31 December 2007	**36.2**	**10.7**	**46.9**

Following the sale and closure of our Deluxe operations, two property leases have been retained in the Group. One of these relates to a significant plant in the US which is currently unoccupied. The lease expires in 2021 and the provision has been calculated on the assumption that no sub-lease will be obtained.

Provision has also been made for outstanding insurance claims, warranty provisions for potential claims and other directly attributable costs arising as a consequence of the sale or closure of the businesses. The timing of any insurance and warranty claims are uncertain and have therefore been included in the maturity analysis based on management's best estimates.

Company

The legal provision held at 1 January 2007 of £0.6m was transferred to the Deluxe disposal provision.

25 Share capital

	2007 Authorised		2006 Authorised	
	Number m	**Nominal value £m**	Number m	Nominal value £m
Ordinary shares of 13 8/9p each (2006: 10p each)	**1,296.0**	**180.0**	1,800.0	180.0

	2007 Issued and fully paid		2006 Issued and fully paid	
	Number m	**Nominal value £m**	Number m	Nominal value £m
At 1 January	**542.4**	**54.2**	626.0	62.6
Share buy-back	**–**	**–**	(86.5)	(8.6)
Shares issued in the year	**–**	**–**	2.9	0.2
Share consolidation 18 (Ordinary 13 8/9p each) for 25 (Ordinary 10p each)	**(151.9)**	**–**	–	–
At 31 December	**390.5**	**54.2**	542.4	54.2

During the year 18,324 Ordinary shares of 10p each and 19,674 Ordinary shares of 13 8/9p were issued with a combined nominal value of £4,565.

1,059,826 (2006: 202,852) Ordinary shares in the Company are held by the Rank Group Employee Benefit Trust ('the Trust'). These owned shares are deducted from equity in accordance with IAS 32 and not disclosed as an investment.

Dividends on the shares held by the Trust have been waived by the trustees with the exception of one penny in respect of each dividend that is paid by the Company. The Trust may make such investments in the shares of the Company or otherwise as the trustees may determine to provide benefits to any eligible employee. The benefits may be provided in the form of shares, cash or otherwise, although any share-related benefit will be provided in accordance with an appropriate employee share scheme or bonus scheme of the Company. The shares held by the Trust represent less than 0.3% of the Company's called-up share capital. The costs of funding and administering the scheme are charged to the income statement of the Company in the period to which they relate. The market value of the shares at 31 December 2007 was £1.0m (2006: £0.5m).

Share consolidation

In conjunction with the special dividend payment disclosed in note 9, shareholders received 18 new Rank shares for every 25 existing Rank shares held on 23 March 2007. Apart from having a different nominal value, each new Rank share carries the same rights as are set out in the Articles of Association for each existing Rank share prior to the share consolidation taking place.

26 Statement of changes in shareholders' equity

Group	Share capital £m	Share premium £m	Capital redemption £m	Exchange translation reserve £m	Other reserves £m	Total £m	Minority £m	Total £m
At 1 January 2006	62.6	93.1	24.8	23.8	(47.6)	156.7	11.4	168.1
Exchange adjustments net of tax	–	–	–	(28.3)	–	(28.3)	(1.0)	(29.3)
Actuarial gain on defined benefit pension scheme net of tax	–	–	–	–	64.7	64.7	–	64.7
Revaluation of available-for-sale securities	–	–	–	–	22.8	22.8	–	22.8
Revaluation of available-for-sale securities recycled within net profit	–	–	–	–	12.1	12.1	–	12.1
Net minority interest acquired	–	–	–	–	–	–	(8.1)	(8.1)
Issue of share capital	0.2	5.0	–	–	–	5.2	–	5.2
Share buy-back	(8.6)	–	8.6	–	(201.4)	(201.4)	–	(201.4)
Dividends	–	–	–	–	(74.1)	(74.1)	(4.1)	(78.2)
Credit in respect of employee share schemes	–	–	–	–	0.4	0.4	–	0.4
Profit for the year	–	–	–	–	117.2	117.2	1.8	119.0
At 31 December 2006	**54.2**	**98.1**	**33.4**	**(4.5)**	**(105.9)**	**75.3**	**–**	**75.3**
Exchange adjustments net of tax	–	–	–	**(4.4)**	–	**(4.4)**	–	**(4.4)**
Actuarial gain on defined benefit pension scheme net of tax	–	–	–	–	**17.4**	**17.4**	–	**17.4**
Cumulative foreign exchange losses recycled within net profit	–	–	–	**8.6**	–	**8.6**	–	**8.6**
Revaluation of available-for-sale securities	–	–	–	–	**(0.4)**	**(0.4)**	–	**(0.4)**
Revaluation of available-for-sale securities recycled within net profit	–	–	–	–	**(44.4)**	**(44.4)**	–	**(44.4)**
Adjustment of deferred tax from 30% to 28%	–	–	–	–	**2.4**	**2.4**	–	**2.4**
Issue of share capital	–	**0.1**	–	–	–	**0.1**	–	**0.1**
Purchase of own shares	–	–	–	–	**(2.1)**	**(2.1)**	–	**(2.1)**
Dividends	–	–	–	–	**(375.9)**	**(375.9)**	–	**(375.9)**
Debit in respect of employee share schemes	–	–	–	–	**(1.4)**	**(1.4)**	–	**(1.4)**
Profit for the year	–	–	–	–	**311.5**	**311.5**	–	**311.5**
At 31 December 2007	**54.2**	**98.2**	**33.4**	**(0.3)**	**(198.8)**	**(13.3)**	**–**	**(13.3)**

The reserves of subsidiary undertakings have generally been retained to finance their businesses.

Other reserves comprise retained losses of £202.1m (2006: £157.6m), fair value losses of £0.6m (2006: gains of £44.2m) and the £3.9m (2006: £7.5m) unamortised element of the equity component of the convertible bond.

Company	Share capital £m	Share premium £m	Capital redemption £m	Other reserves £m	Total £m
At 1 January 2006	62.6	93.1	24.8	1,206.7	1,387.2
Issue of share capital	0.2	5.0	–	–	5.2
Share buy-back	(8.6)	–	8.6	(201.4)	(201.4)
Dividends	–	–	–	(74.1)	(74.1)
Credit in respect of employee share schemes	–	–	–	0.1	0.1
Loss for the year	–	–	–	(25.2)	(25.2)
At 31 December 2006	**54.2**	**98.1**	**33.4**	**906.1**	**1,091.8**
Issue of share capital	–	**0.1**	–	–	**0.1**
Purchase of own shares	–	–	–	**(2.1)**	**(2.1)**
Dividends	–	–	–	**(375.9)**	**(375.9)**
Debit in respect of employee share schemes	–	–	–	**(0.1)**	**(0.1)**
Loss for the year	–	–	–	**(18.8)**	**(18.8)**
At 31 December 2007	**54.2**	**98.2**	**33.4**	**509.2**	**695.0**

Other reserves comprise retained earnings of £345.5m (2006: £738.8m), the £3.9m (2006: £7.5m) unamortised element of the equity component of the convertible bond and an unrealised profit reserve of £159.8m (2006: £159.8m).

Notes to the financial statements continued

27 Minority interest

	2007 £m	2006 £m
At 1 January	–	11.4
Exchange adjustments	–	(1.0)
Share of net profit	–	1.8
Dividend paid	–	(4.1)
Minority interest acquired	–	(7.7)
Minority interest disposed	–	(0.4)
At 31 December	–	–

As at 31 December 2007 there are no minority interests in the Group.

28 Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2007 £m	2006 (restated) £m	2007 £m	2006 £m
Continuing operations				
Operating profit (loss)	23.1	126.9	0.3	(0.6)
Exceptional items	45.2	(53.7)	–	–
Operating profit (loss) before exceptional items	68.3	73.2	0.3	(0.6)
Depreciation and amortisation	28.5	28.9	–	–
Decrease (increase) in working capital	6.6	(3.7)	0.6	(0.7)
Other	(1.6)	8.9	(0.3)	0.5
	101.8	107.3	0.6	(0.8)
Cash payments in respect of exceptional costs and provisions	(15.8)	(37.0)	–	(0.4)
Cash generated from operations	86.0	70.3	0.6	(1.2)

29 Cash and cash equivalents

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Cash at bank and in hand	36.9	79.9	0.3	0.1
Current asset investments	35.2	3.7	–	–
Total cash	72.1	83.6	0.3	0.1
The analysis of total cash by currency is as follows:				
UK Sterling	64.4	61.8	0.3	0.1
US/Canadian Dollar	0.2	7.4	–	–
Other currencies	7.5	14.4	–	–
Total cash	72.1	83.6	0.3	0.1

The fair value of cash and current asset investments equals their carrying amount as the impact of discounting is not significant.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following at 31 December:

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Total cash	72.1	83.6	0.3	0.1
Bank overdrafts	(3.5)	(8.2)	–	–
	68.6	75.4	0.3	0.1

30 Post balance sheet event

On 28 February 2008 the Group announced that it has entered into a series of agreements with the Trustee of the Rank Pension Plan and Rothesay Life (an FSA-regulated insurance company and wholly owned subsidiary of Goldman Sachs), to transfer the assets and liabilities of the Pension Plan to Rothesay Life.

The transfer will secure the accrued benefits for the members of the Pension Plan and will remove the remaining financial risks and liabilities in relation to the Pension Plan from the Group. As a result of the transfer, the Group will no longer be required to make remaining scheduled contributions totalling £30.8m, which the Group agreed with the Pension Trustee at the time of the sale of Deluxe Film in 2006.

Upon completion of the transfer the Group expects to receive a cash payment of at least £20.0m, representing the Group's allocation of the expected surplus within the Pension Plan after an appropriate sharing with the Plan's members and any anticipated costs, including tax, associated with the transfer.

The transfer is subject to clearance from HM Revenue and Customs regarding the tax treatment of the transfer. The Group expects this clearance to be obtained by May 2008 with completion of the transfer expected in June 2008.

Assuming the transaction completes, an exceptional charge will be recognised in 2008.

31 Disposal of businesses

The Group completed the sale of Hard Rock on 5 March 2007 resulting in an exceptional profit of £352.7m before related financing and taxation costs of £37.3m. A reconciliation of the net proceeds from sale is included in the table below:

	2007 Total £m	2006 Total £m
Property, plant and equipment	**107.3**	79.1
Intangible assets	**6.6**	21.4
Inventories	**12.8**	34.9
Trade and other receivables	**19.6**	374.1
Investments	**52.1**	10.1
Deferred tax	**15.0**	–
Trade and other payables	**(30.9)**	(109.1)
Other provisions	**(4.2)**	(1.9)
Net assets disposed	**178.3**	408.6
Profit (loss) on disposal before tax and finance costs	**352.7**	(7.0)
Other related costs and provision utilisation	**6.2**	26.2
Cumulative foreign exchange losses recycled within net profit	**8.6**	–
Cumulative revaluation of available–for-sale securities recycled within net profit	**(44.4)**	–
Section 75 pension contribution	**–**	24.0
Minority interest	**–**	(0.4)
Sales consideration	**501.4**	451.4
Sales proceeds less related costs	**502.7**	453.9
(Cash) and overdrafts disposed	**(6.5)**	(4.1)
Borrowings and lease obligations disposed	**5.2**	1.6
Sales consideration	**501.4**	451.4
Sale proceeds less related costs	**502.7**	453.9
(Cash) and overdrafts disposed	**(6.5)**	(4.1)
Net proceeds from sale of businesses per cash flow	**496.2**	449.8

32 Employees and directors

(a) Employee benefit expense for the Group during the year

	2007			2006		
	Continuing £m	**Discontinued £m**	**Total £m**	Continuing £m	Discontinued £m	Total £m
Wages and salaries	**138.4**	**11.3**	**149.7**	145.9	127.4	273.3
Social security costs	**14.5**	**1.5**	**16.0**	15.0	13.9	28.9
Other pension costs	**5.2**	**0.2**	**5.4**	8.2	3.0	11.2
Share-based payments	**(1.6)**	**–**	**(1.6)**	0.9	(0.4)	0.5
	156.5	**13.0**	**169.5**	170.0	143.9	313.9

The Company has no employees. The directors of the Group are paid by a subsidiary undertaking.

Discontinued relates to costs within Hard Rock up until the date of disposal.

Notes to the financial statements continued

32 Employees and directors continued

(b) Average monthly number of employees by segment

	2007	2006
Mecca Bingo	**3,824**	4,457
Top Rank España	**636**	611
Grosvenor Casinos	**3,316**	3,481
Blue Square	**152**	132
Gaming shared services	**211**	207
Other	**30**	53
Total continuing operations	**8,169**	8,941
Hard Rock	**1,150**	6,900
Deluxe	–	2,534
US Holidays	–	627
Total discontinued operations	**1,150**	10,061
Total	**9,319**	19,002

(c) Key management compensation

	2007 £m	2006 £m
Salaries and short term employee benefits	**3.8**	3.2
Termination benefits	–	1.7
Post employment benefits	**0.5**	0.5
Share-based payments	**0.1**	0.5
	4.4	5.9

Key management is defined as the directors of the Group and the executive committee. Further details of the executive committee are set out on page 29. Details of the remuneration of each director are set out in the remuneration report on pages 30 to 34 which form part of these financial statements.

(d) Directors' interests

The directors' interests in shares of the Company, including options to purchase Ordinary shares under the terms of the Group's Executive Share Option Scheme, and conditional awards under the Long Term Incentive Plan, are detailed in the remuneration report. Details of options to subscribe for Ordinary shares of the Company granted to or exercised by directors in the year ended 31 December 2007 are also detailed in the remuneration report.

(e) Total emoluments of the directors of The Rank Group Plc

	2007 £m	2006 £m
Aggregate emoluments	**1.8**	3.9
Aggregate gains made on the exercise of share options	–	0.1
Aggregate gains made on Deferred Share Bonus Plan	**0.1**	–
Number of directors accruing benefits under defined benefit schemes	–	2

Further details of emoluments received by directors are included in the remuneration report. The 2006 comparatives include amounts in respect of former directors who resigned in 2006.

33 Share-based payments

During the year ended 31 December 2007, the Company operated the Save-As-You-Earn ('SAYE') share option scheme, the Executive Share Option Scheme ('ESOS'), the Long Term Incentive Plan ('LTIP') and the Deferred Share Bonus Plan. Details of these schemes are included in the remuneration report on pages 30 to 34.

The number and weighted average exercise prices ('WAEP') of, and movements in, each of the share option arrangements (SAYE and ESOS) during the year are shown below, together with the weighted average share price ('WASP') at the date of exercise where applicable:

	Outstanding at 1 Jan 2007	**Granted during 2007**	**Exercised during 2007**	**Expired during 2007**	**Forfeited during 2007**	**Outstanding at 31 Dec 2007**	**Exercisable at 31 Dec 2007**
ESOS							
Number of shares	**11,812,842**	–	–	**(255,158)**	**(6,679,089)**	**4,878,595**	**2,182,933**
WAEP	**272.62p**	–	–	**365.33p**	**270.44p**	**268.60p**	**277.75p**
WASP	–	–	–	–	–	–	–
SAYE (3 year)							
Number of shares	**2,653,687**	**1,944,256**	**(21,210)**	**(313,322)**	**(1,603,488)**	**2,659,923**	**13,711**
WAEP	**206.60p**	**139.00p**	**230.75p**	**268.00p**	**192.32p**	**158.37p**	**222.56p**
WASP	–	–	**201.92p**	–	–	–	–
SAYE (5 year)							
Number of shares	**1,431,167**	**753,405**	**(16,771)**	**(112,711)**	**(762,331)**	**1,292,759**	**18,803**
WAEP	**209.42p**	**139.00p**	**210.85p**	**239.16p**	**199.53p**	**171.60p**	**233.23p**
WASP	–	–	**191.47p**	–	–	–	–

	Outstanding at 1 Jan 2006	Granted during 2006	Exercised during 2006	Lapsed* during 2006	Outstanding at 31 Dec 2006	Exercisable at 31 Dec 2006
ESOS						
Number of shares	12,129,249	2,764,424	(971,986)	(2,108,845)	11,812,842	3,588,801
WAEP	280.91p	237.52p	233.84p	292.58p	272.62p	288.86p
WASP	–	–	264.00p	–	–	–
SAYE (3 year)						
Number of shares	3,033,616	1,711,942	(811,289)	(1,280,582)	2,653,687	–
WAEP	225.03p	187.00p	191.65p	233.24p	206.60p	–
WASP	–	–	210.98p	–	–	–
SAYE (5 year)						
Number of shares	2,581,567	612,435	(1,044,246)	(718,589)	1,431,167	957
WAEP	194.13p	187.00p	142.52p	232.81p	209.42p	141.00p
WASP	–	–	210.84p	–	–	–

* From 1 January 2007 information was collected to analyse lapsed options between expired and forfeited. This information was not available in 2006.

Included within these balances are options over shares that have not been recognised in accordance with IFRS 2 as the options were granted before 7 November 2002. These options have not been subsequently modified and therefore are not required to be accounted for in accordance with IFRS 2.

The share options outstanding at the year-end have the following range of exercise prices and expiry dates as follows:

	Outstanding at 31 December 2007			Outstanding at 31 December 2006		
	Exercise prices (range)	**Weighted average remaining contractual life**	**Number of shares under option**	Exercise prices (range)	Weighted average remaining contractual life	Number of shares under option
ESOS	**155.25p–338.72p**	**6.9 years**	**4,878,595**	155.25p–435.82p	5.5 years	11,812,842
SAYE (3 year)	**139.00p–268.00p**	**3.0 years**	**2,659,923**	187.00p–268.00p	2.8 years	2,653,687
SAYE (5 year)	**139.00p–268.00p**	**4.1 years**	**1,292,759**	141.00p–268.00p	3.9 years	1,431,167

Notes to the financial statements continued

33 Share-based payments continued
The estimated fair values for each of the ESOS and SAYE awards granted were calculated using a Black-Scholes pricing model with the inputs detailed below. The fair value of the LTIP was calculated using a Monte Carlo model approach, and indicates the proportion of shares likely to vest, taking into account the Total Shareholder Return performance requirements. For grants made subject to an EPS performance condition, the expense is based on expectations of these conditions being met, which are reassessed at each balance sheet date.

	2007	2006
Risk-free interest rate (%)	**4.95%**	4.50%
Expected life of options – ESOS	**n/a**	3 years
Expected life of award – LTIP	**3 or 4 years**	3 years
Expected life of options – SAYE	**3 or 5 years**	3 or 5 years
Expected share price volatility (%)	**27.51%**	28.06%
Expected dividends expressed as a dividend yield (%)	**3.47%**	5.25%

The expected life of the ESOS was based on management's best estimate of the exercise pattern of option holders taking into account exercise restrictions and behavioural considerations. The expected life of the LTIP and SAYE are determined by the performance period and savings terms respectively.

The expected share price volatility was determined by calculating the historical volatility of the Group's share price over the four calendar years prior to each grant.

The expected dividend growth is based on historical dividend payments in the year prior to grant, expressed as a percentage of the weighted average share price for that year. As such, this is based on historical data and does not necessarily indicate future dividend policy.

The weighted average fair value per share of awards granted during the year was as follows:

	2007	2006
ESOS	**n/a**	37.13p
LTIP	**195.50p**	236.00p
SAYE (3 year)	**48.25p**	67.45p
SAYE (5 year)	**52.88p**	57.45p

Accounting for share-based payments in accordance with IFRS 2 resulted in a credit to Group profit for the year of £1.6m (2006: debit of £0.5m).

National Insurance contributions are payable by the Company in respect of some of the share-based payments. These contributions are payable on the date of exercise based on the intrinsic value of the share-based payments, and as such are treated as cash-settled awards. The Group has recorded liabilities at the end of 2007 of £0.2m (2006: £0.4m) of which £nil was in respect of vested grants.

34 Retirement benefits
UK
The Group has two pension schemes for UK employees. The schemes are externally funded and the funds' assets are held separately from Group assets. The accounts of both schemes for the year ended 5 April 2007 have been reported upon by their auditors without qualification.

UK Rank Pension Plan
The Rank Pension Plan ('the Plan') is a defined benefit scheme with pensions fixed by reference to final pay and length of service.

Formal actuarial valuations of the Plan are carried out at least triennially by an independent actuary, Mercer Human Resource Consulting Limited. The most recent valuation was undertaken as at 5 April 2007.

The most recent actuarial valuation of the Plan has been updated by an independent actuary to 31 December 2007.

Details of the Plan's liabilities and assets under IAS 19 are:

	2007 £m	2006 £m	2005 £m	2004 £m
Assets	**740.8**	711.0	636.5	556.4
Liabilities	**(610.1)**	(635.2)	(674.7)	(587.5)
Net defined benefit pension asset (liability)	**130.7**	75.8	(38.2)	(31.1)

On 28 February 2008 the Group disposed of its interest in and obligations to the Plan. Further details are contained in note 30.

34 Retirement benefits continued

Change in plan assets

	2007 £m	2006 £m
Fair value of plan assets at beginning of year	**711.0**	636.5
Expected return on plan assets	**42.1**	37.8
Actuarial (losses) gains	**(7.7)**	6.9
Total actual return on plan assets	**34.4**	44.7
Employer contributions (includes benefits paid and reimbursed)		
– Section 75 contribution	**4.6**	24.0
– Other	**19.3**	32.4
Member contributions	**1.3**	1.5
Benefits paid (by fund and Company)	**(29.8)**	(28.1)
Fair value of plan assets at end of year	**740.8**	711.0

Change in benefit obligation

	2007 £m	2006 £m
Benefit obligation at beginning of year	**(635.2)**	(674.7)
Current service cost	**(4.3)**	(5.8)
Interest cost	**(31.6)**	(31.1)
Past service cost	**–**	(1.4)
Plan members' contributions	**(1.3)**	(1.5)
Actuarial gains	**32.5**	51.2
Benefits paid	**29.8**	28.1
Benefit obligation at end of year	**(610.1)**	(635.2)

The estimated employer contributions expected to be paid to the Plan in 2008 are £2.3m.

Components of pension cost

	2007 £m	2006 £m
Current service cost	**4.3**	5.8
Amortisation of prior service cost	**–**	1.4
Total pension charge recognised in operating profit in the income statement	**4.3**	7.2
Interest cost	**31.6**	31.1
Expected return on plan assets	**(42.1)**	(37.8)
Total pension credit recognised in financing in the income statement	**(10.5)**	(6.7)
Total pension (credit) charge recognised in the income statement	**(6.2)**	0.5

Statement of recognised income and expense ('SORIE')

	2007 £m	2006 £m	2005 £m	2004 £m
Actuarial gains and losses immediately recognised:				
Experience gains and losses	**–**	39.7	–	63.8
Changes in assumptions	**32.5**	11.5	(75.9)	(44.3)
Actual return less expected return in assets	**(7.7)**	6.9	60.1	10.1
Section 75 contribution	**–**	24.0	–	–
Total pension credit (expense) recognised in the SORIE before taxation	**24.8**	82.1	(15.8)	29.6
Taxation	**(7.4)**	(17.4)	2.4	(8.6)
Total pension credit (expense) recognised in the SORIE	**17.4**	64.7	(13.4)	21.0

The cumulative amount of gains and losses recognised in the SORIE before taxation was £120.7m (2006: £95.9m).

Notes to the financial statements continued

34 Retirement benefits continued

Plan assets

The weighted average asset allocations at the year-end were as follows:

	2007		2006	
Investment category	**Market value £m**	**Expected return % p.a.**	Market value £m	Expected return % p.a.
Equities (UK and overseas)	**210.4**	**5.7**	281.2	7.6
Government bonds	**125.2**	**4.5**	280.9	4.6
Non-Government bonds	**188.8**	**5.7**	130.3	5.1
Insured pensions	**11.7**	**5.7**	12.6	5.1
Cash	**204.7**	**5.5**	6.0	5.0
Total	**740.8**	**5.4**	711.0	5.9

To develop the expected long term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily Government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. Over the course of 2007, the Plan's investment strategy changed and a series of derivatives were implemented to remove risk within the portfolio. The value of the derivative instruments are contained within the asset values at 31 December 2007 and reflected in the expected return for 2008. The Plan is currently in the process of transitioning growth assets into cash and therefore expectations for the total weighted return on the assets over 2008 may differ from those implied at the balance sheet date.

Assumptions used to determine benefit obligations at:

	2007 % p.a.	2006 % p.a.
Yield – pre retirement	**5.7**	5.1
Yield – post retirement	**5.7**	5.1
Price inflation	**3.4**	3.0
Salary growth	**4.6**	4.2
Pension increases – 5% LPI	**3.4**	3.0

Weighted average assumptions used to determine net pension expense for year ended:

	2008 %	**2007 %**	2006 %
Discount rate	5.7	**5.1**	4.7
Expected long term return on plan assets	5.4	**5.9**	5.7
Rate of compensation increase	4.6	**4.2**	4.0

Mortality tables used to determine benefit obligations at:

	2007	2006
Current pensioner	**PA92 (YOB) mc**	PA92 (YOB) mc
Active/preserved member	**PA92 (YOB) mc**	PA92 (YOB) mc

Other UK pension commitments

During the year to 31 December 2007 the Group contributed a total of £0.9m (2006: £1.3m) to defined contribution schemes. The Rank Money Purchase Pension Scheme closed to future contribution on 5 April 2006 and was replaced by the Rank Group Stakeholder Pension Plan. Both of these are defined contribution schemes with benefits which depend on the contribution levels and the emerging investment performance. There were no significant contributions outstanding.

The Group has an unfunded pension commitment relating to three former executives of the Group. The provision is calculated using a basis consistent with the assumptions used to value the funded defined benefit plan in the UK. At 31 December, the Group's commitment was £2.6m (2006: £3.0m). The Group paid £0.1m (2006: £0.4m) in pension payments during the year.

US

The Group operated defined contribution schemes in the US. Group contributions to these schemes during 2007 totalled £0.2m (2006: £2.7m). There were no significant contributions outstanding.

Total

At 31 December 2007 there was a net pension surplus of £128.1m of which £130.7m relates to the Plan, and £(2.6)m relates to the unfunded UK commitment.

35 Lease commitments

Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties, plant and items of machinery. These leases have durations between two and over 100 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

Group	2007 £m	2006 £m
Not later than one year	**41.7**	69.3
After one year but not more than five years	**155.1**	323.0
After five years	**381.2**	591.0
	578.0	983.3
Of which relates to discontinued operations	–	404.0

	2007 £m	2006 £m
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	**67.0**	78.9

Finance leases where the Group is a lessee

The minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	Minimum lease payments		Present value of minimum lease payments	
Group	2007 £m	2006 £m	2007 £m	2006 £m
Not later than one year	**1.9**	2.8	**0.9**	1.7
After one year but not more than five years	**6.8**	7.4	**3.2**	3.4
More than five years	**15.2**	17.1	**10.5**	11.6
	23.9	27.3	**14.6**	16.7
Less future finance charges	**(9.3)**	(10.6)		
Present value of minimum lease payments	**14.6**	16.7		

	2007 £m	2006 £m
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	**2.7**	2.9

36 Contingent liabilities

	Group	
	2007 £m	2006 £m
Guarantees by the Company and by subsidiary undertakings	–	0.9

	Company	
	2007 £m	2006 £m
Guarantees of advances to subsidiary undertakings	**215.1**	768.7

No security has been given in respect of any contingent liability.

37 Capital and other financial commitments

	Group	
	2007 £m	2006 £m
Contracts placed for future capital expenditure not provided in the financial information	**1.2**	7.0

Contracts placed for future capital expenditure primarily relate to property, plant and equipment.

Notes to the financial statements continued

38 Related party transactions

Group

The Group recharges the Rank Group UK pension schemes with the costs of administration and independent pension advisers borne by the Group. The total amount recharged in the year ended 31 December 2007 was £2.2m (2006: £1.7m).

In 2006 the Group traded with its joint venture undertaking Lifestar and its subsidiaries. Royalties and costs reimbursed in 2006 to the Group totalled £0.7m. At 31 December 2006 Lifestar owed the Group £1.3m for which the Group held an associated doubtful debt provision of £1.1m. The Group's interest in Lifestar and associated balances were disposed with the sale of Hard Rock on 5 March 2007. Following the sale the Group has no relationship with Lifestar and there were no material transactions between 1 January 2007 and the date of sale.

Company

The following transactions with subsidiaries occurred in the year:

	2007 £m	2006 £m
Interest payable	**28.6**	34.6

During the year, Rank Group Finance Limited, a subsidiary of the Company, provided additional cash funding to the Company of £384.0m. The funding was primarily used to finance dividends, including the £352.5m special dividend. Full details of how the funding was utilised are disclosed in the Company cash flow statement on page 44.

39 Restatement of 2006 full year comparative

The Group has amended its accounting policy in relation to exceptional items and the net return on the defined benefit pension asset.

The accounting policy previously reported in the Group’s financial statements for the year ended 31 December 2006 in relation to exceptional items has been amended to aid comparability of the Group’s results. Further details of the revised policy are provided in note 1A.

The Group has also reviewed its policy in relation to the classification within the income statement of the net return arising on its defined benefit pension asset. To improve comparability of the results and in accordance with accounting best practice, the Group has decided to reclassify the net return arising on the defined benefit pension asset from operating profit to net financing costs.

These changes had no effect on total basic or diluted earnings per share.

The table below provides a reconciliation of the impact of the changes on the 2006 full year comparative:

	As published	**Reclassification**			**As restated**
	Year to 31.12.06 £m	Net return on pension asset £m	Club disposals £m	Impairment £m	**Year to 31.12.06 £m**
Continuing operations					
Operating profit*					
Mecca Bingo	**63.2**	(2.1)	(6.1)	8.6	**63.6**
Top Rank España	**8.9**	–	–	–	**8.9**
Grosvenor Casinos	**39.5**	(3.2)	–	–	**36.3**
Blue Square	**7.8**	–	–	–	**7.8**
Gaming shared services	**(24.8)**	(1.2)	–	–	**(26.0)**
Other	**(17.2)**	(0.2)	–	–	**(17.4)**
Before exceptional items	**77.4**	(6.7)	(6.1)	8.6	**73.2**
Exceptional items	**56.2**	–	6.1	(8.6)	**53.7**
Group operating profit	**133.6**	(6.7)	–	–	**126.9**
Total net financing charge	**(40.7)**	6.7	–	–	**(34.0)**
Profit before taxation	**92.9**	–	–	–	**92.9**
Taxation	**21.6**	–	–	–	**21.6**
Profit for the year from continuing operations	**114.5**	–	–	–	**114.5**
Discontinued operations	**4.5**	–	–	–	**4.5**
Profit for the year	**119.0**	–	–	–	**119.0**

* All restatements to operating profit before exceptional items are included in the other operating (costs) income line in the Group income statement.

In addition, the 2006 comparatives have been restated to reflect the transfer of £13.9m of assets from property, plant and equipment to intangible assets as if it had taken place on 1 January 2006. Segmental assets and liabilities have been restated to reclassify cash and cash equivalents, derivative financial instruments, retirement benefits and net interest payable to unallocated assets and liabilities. Provisions for liabilities and charges have been allocated to the respective business and geographical segments.

40 Principal subsidiaries

Except where otherwise stated, The Rank Group Plc owns directly or indirectly 100% of the Ordinary share capital and voting rights of the following companies.

The principal operations are carried out in the country of incorporation as indicated below.

The companies all have a 31 December year-end.

The Group comprises a large number of companies and it is not practical to list all of them below. The list therefore includes those companies which the directors consider principally affect the consolidated results or financial position of the Group. Particulars of all Group companies will be annexed to the next Annual Return submitted to the Registrar of Companies.

Gaming	Country of incorporation	Principal activities
Grosvenor Casinos Limited	UK	London and provincial casinos
Mecca Bingo Limited	UK	Social and bingo clubs
Rank Holding España SA	Spain	Owns the Group's investments in Top Rank España
Rank Group Gaming Division Limited	UK	Owns the Group's investments in UK Gaming companies and provides Gaming shared services
Blue Square Limited*	UK	Interactive gaming
Blue Square Gaming (Alderney) Limited	UK	Interactive gaming
Holding and other companies		
Rank America, Inc.	USA	Owns the Group's residual investments in the USA
Rank Group Finance Plc*	UK	Funding operations for the Group
Rank Leisure Holdings Limited*	UK	Owns the Group's investments in the UK operating subsidiary undertakings and Rank Overseas Holdings Limited
Rank Overseas Holdings Limited	UK	Owns the Group's investment in Rank Holdings (Netherlands) BV and Rank America, Inc.

* directly held by the parent company

Five year review

Year ended 31 December

	2007 £m	2006 (restated) £m	2005 £m	2004 £m	2003 £m
	IFRS				UK GAAP
Revenue	**534**	550	530	788	1,926
Operating profit before goodwill amortisation and exceptional items	**68**	73	91	136	218
Goodwill amortisation (UK GAAP only)	**–**	–	–	–	(6)
Operating profit – current operations	**68**	73	91	136	212
Exceptional items (charged) credited against operating profit	**(45)**	54	(12)	(42)	(51)
Non-operating items (including share of associates)	**–**	–	–	–	4
Net finance cost	**(22)**	(48)	(44)	(37)	(43)
Amortisation of equity component of convertible bond	**(4)**	(3)	(3)	–	–
Unwinding of discount in disposal provisions	**(1)**	–	–	–	–
Net return on defined benefit asset	**11**	7	–	–	–
Other financial gains (losses)	**1**	10	(16)	6	–
Other associates and joint ventures	**–**	–	–	–	1
Profit before tax	**7**	93	16	63	123
Tax	**(12)**	22	(1)	(3)	(28)
Discontinued operations	**317**	5	(224)	(74)	–
Preference dividends	**–**	–	–	–	(17)
Minority interests	**–**	(2)	(1)	(1)	1
Earnings (loss) for the year	**312**	117	(210)	(15)	79
Adjusted earnings per share	**7.4p**	4.6p	5.4p	12.7p	n/a
Basic earnings (loss) per Ordinary share	**72.4p**	19.9p	(33.6)p	(2.5)p	13.3p
Basic earnings per Ordinary share before exceptional items	**7.7p**	11.8p	7.7p	23.5p	18.2p
Total dividend (including proposed) per Ordinary share	**2.0p**	6.0p	15.3p	14.6p	13.9p

	2007 £m	2006 (restated) £m	2005 £m	2004 £m	2003 £m
	IFRS				UK GAAP
Group funds employed					
Intangible assets and property, plant and equipment	**358**	377	659	829	927
Investments	**–**	1	45	55	57
Other (liabilities) assets (net)	**(54)**	144	196	152	191
Total funds employed at year-end	**304**	522	900	1,036	1,175
Financed by					
Ordinary share capital and reserves	**(13)**	75	157	391	458
Minority interests	**–**	–	11	9	16
	(13)	75	168	400	474
Net debt (see note 21)	**317**	447	732	636	701
	304	522	900	1,036	1,175
Average number of employees (000s)	**9.3**	19.0	24.3	25.2	24.0

2007, 2006, 2005 and 2004 results above reflect IFRS. 2003 reflected UK GAAP as applied at 31 December 2004.

The above numbers are rounded to the nearest £m.

Shareholder information

A wide range of information for shareholders and investors is available in the Investors & Press area of the Rank Group website: www.rank.com

Ordinary shares
There was a total of 390,529,314 Ordinary 13 8/9p shares in issue at 31 December 2007, which were held by 22,505 shareholders.

Share price information
The latest information on the Rank Ordinary share price is available in the Investors & Press area of the **www.rank.com** website. Closing share prices for the previous business day are quoted in most daily newspapers and, throughout the working day, time-delayed share prices are broadcast on the text pages of the principal UK TV channels.

Capital gains tax
For the purpose of calculating UK capital gains tax on a disposal of Ordinary shares in the Company held since 31 March 1982 (including shares held in the predecessor company, The Rank Organisation Plc), the price of the Company's Ordinary shares at that date was 190p per share. This price should be adjusted for the effects of the rights issue in January 1990, the enhanced share alternative in July 1993, the sub-division and consolidation of shares in March 1994, the enhanced scrip dividend in March 1998, and the 18 for 25 sub-division and share consolidation (aligned with the 65p special dividend payment) which took place in March 2007. More information regarding these adjustments is available on the **www.rank.com** website.

Share dealing services
The sale or purchase of shares must be done through a stockbroker or share dealing service provider. The London Stock Exchange provides a 'Locate a broker' facility on its website which gives details of a number of companies offering share dealing services.

For more information, please visit the Investor Centre (>Tools) page at **www.londonstockexchange.com**

Rank has also arranged a panel of low-cost providers, details of which can be found on the Shareholder Services pages within the Investors & Press area of the Company's website: **www.rank.com**

Please note that the directors of the Company are not seeking to encourage shareholders to either buy or to sell shares. Shareholders in any doubt about what action to take are recommended to seek financial advice from an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.

Registrar
All enquiries relating to Ordinary shareholders, dividends and changes of address should be addressed to the Company's registrar (quoting reference number 1235), Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Tel: 0871 384 2098.

There is also a text phone available on 0871 384 2255 for shareholders with hearing difficulties.

(Calls to both of these numbers are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.)

Shareview
The Shareview portfolio service from the Company's registrar gives shareholders more control over their Rank shares and other investments including:

- direct access to data held for them on the share register including recent share movements and dividend details;
- a recent valuation of their portfolio; and
- a range of information and practical help for shareholders.

It is easy and free to set up a portfolio – shareholders will just need the shareholder reference printed on their proxy form or dividend stationery. Please visit the following website for more details: www.shareview.co.uk

ShareGift
Shareholders with a very small number of shares, the value of which may make it uneconomical to sell, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation.

Further information about ShareGift is available at **www.sharegift.org** or by writing to:

ShareGift
17 Carlton House Terrace
London SW1Y 5AH
Tel: 020 7930 3737

For further information on Rank please contact:
Pamela Coles, company secretary
Dan Waugh, director of investor relations

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2008 financial calendar

7 May	Annual General Meeting and interim management statement
31 July	Interim results announcement
October	Interim management statement

Glossary

Financial terms and KPIs

Active customers
Unique customers visiting a bingo club or casino or operating an online or telephone betting account in the 12-month period

Admissions
Individual customer visits to bingo clubs and casinos

EBITDA
Earnings before interest, tax, depreciation, amortisation and exceptional items

Like for Like
Excludes bingo clubs and casinos not open for a full 12 months in 2006 and 2007

Operating profit
Earnings before interest, tax and exceptional items

Operating margin
Operating profit expressed as a percentage of revenue

Revenue
Income retained by Group after deductions for VAT and players' winnings

Share consolidation
A reduction of a company's shares in issue, often associated with a capital return

Special dividend
A one-time distribution of funds to shareholders

Spend per head
Revenue divided by admissions

Tax & regulation

AMLD (amusement machine licence duty)
An annual duty payment relating to gaming machines. The rate of duty payable varies according to machine category

British Gambling Prevalence Survey 2007
Study of the prevalence of gambling in Great Britain, conducted between September 2006 and March 2007

Category B1 gaming machine
Gaming machine with maximum stake of £2 and maximum prize of £4,000 (up to 20 permitted per casino)

Category B2 gaming machine
Gaming machine with maximum stake of £100 and maximum prize of £500 (up to four permitted per licensed betting office)

Category B3 gaming machine
Gaming machine with maximum stake of £1 and maximum prize of £500 (up to four permitted per bingo club or adult gaming centre)

Category C gaming machine
Gaming machine with maximum stake of 50p and maximum prize of £35

Casino Advisory Panel
Independent body appointed by the Department of Culture Media and Sport to advise on the locations for new casinos granted under the Gambling Act

Casino gaming duty
A gross profits tax applied to revenue from casino table games (including electronic roulette and other electronic versions of table games)

Gambling Act
The Gambling Act 2005 is the primary piece of legislation governing gambling regulations in Great Britain

GamCare
A charitable organisation which provides counselling to those with gambling-related problems

Gambling Commission
The governing body for all sectors of gambling in Great Britain, with the exceptions of the National Lottery and spread betting

Responsibility in Gambling Trust (RiGT)
A charity that funds treatment, education and research related to problem gambling

Gaming terminology

Adult gaming centre
A gaming machines arcade

Electronic bingo
A means of playing bingo using an electronic terminal rather than paper books

Interval games
An automated game of bingo played in a licensed club

Mainstage bingo
A traditional game of bingo played in a licensed club

Pari-mutuel gaming
Gaming where players compete with each other to win prizes. The house may take a fee for organising the game but does not participate actively. Also called 'player-to-player' gaming

Section 21 gaming terminal
A gaming terminal played under Section 21 of the 1968 Gaming Act. No longer permitted under the Gambling Act 2005

White label agreement
An agreement to provide interactive gambling services to customers, marketed under a third-party brand

FSC
Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. TT-COC-002228
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The Forest Stewardship Council (FSC) is an international network which promotes responsible management of the world's forests. Forest certification is combined with a system of product labelling that allows consumers to readily identify timber-based products from certified forests.

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Visit us at www.rank.com

The Rank Group website provides news and details of the Group's activities, as well as useful links. The investor section contains a variety of information including the Group's latest results and current and historic share prices.

You may view an on-line version of this Annual Report at www.rank.com

Rank Group